FINANCIAL TIMES



Britain divided

EU labour laws How to do better

The causes of growth

Martin Wolf, Page 10



Pen computers *Technology*

rewritten



Bosnia

Table talk in Banja Luka

World Business Newspaper http://www.FT.com

Threat to freeze **US** assets of Lloyd's of London

New York state's insurance watchdog is ready to freeze the US assets of the Lloyd's of London insurance market if necessary. The warning comes just before Lloyd's appeals against Friday's highly damaging ruling by a US federal court in its struggle to complete a £3.2bn (\$5bn) financial restructuring this week. Lloyd's has \$12bn in trust funds at Citibank in New York to support US underwriting. Page 5

> Lebed seeks backing: Russian security chief Alexander Lebed launched a vigorous political offensive to win Kremlin support for his efforts to secure peace in Chechnya. He met prime minister Victor Chernomyrdin, but was again refused a meeting with President Boris

> Airbus hijacked to Cyprus: A man hijacked a Sudan Airways Airbus 310 on a flight from Khartoum to Amman and demanded that it be flown to Cyprus. The captain told the Cairo control tower he was complying with the demand.

Ukraine currency weakens: Ukraine's karbovanets currency was marked down by Kiev traders a day after the government announced that a new currency, the hryvna, would replace it next week. Page 2

Beijing demands halt to arms sale: China demanded that the US cancel plans to sell Stinger missile launchers and other weapons to Taiwan to prevent "new damage" to Sino-US relations. Page 4

Conseco buys four concerns: Acquisitive US life company Conseco announced four acquisitions totalling \$2.04bn. It has bought 25 life insurance companies since 1982.

Ferry rescue: All 117 people aboard were safely evacuated when a French ferry caught fire near the British island of Guernsey.



A new political grouping has been launched in Hong Kong as the colony prepares for the handover to China. Hong Kong legislator Emily Lan (above) displayed the manifesto of the Frontier group, an alliance of students, trade unionists and teachers which wants all Hong Kong people to have a vote for the head of the post-1997 administration and opposes China's plan to replace the existing legislature. Page 4

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Estonia vote: Neither candidate for the presidency of Estonia won enough votes in the Baltic state's parliament. A second round is due today , with the election open for new nomina-

Malaysian PM hits at west: Malaysian prime minister Mahathir Mohamad accused western nations of using unethical methods to hinder Asia's development and said they should not fear the region's progress. He said western nations embraced free trade until Asian products began encroaching on markets in Europe

Pakistan denial: Pakistan dismissed a US newspaper report that it was building a missile plant near Islamabad with Chinese help as 'another false and malicious story".

Egyptian doctor held: Egyptian police have arrested a doctor after the circumcision at a private hospital of a 14-year-old girl who later died. He has been charged with negligence. Female circumcision was banned in Egypt's public hospitals last month

Jordan plans changes: Jordan announced measures to boost private investment and create jobs in the wake of recent bread riots.

England overwheimed: Pakistan beat England by nine wickets in the third cricket Test at London's Oval to take the series 2-0. England, starting the day at 74-0, collapsed to 242 all out, losing six wickets to leg-spinner Mushtaq Ahmed.

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O THE FINANCIAL TIMES LIMITED 1996 No 33,072 †

US telecoms groups in \$19bn deal

Two of the US's fastest growing telecommunications companies unveiled a \$19.4bn combination yesterday in a deal intended in part to provide a springboard for rapid expansion in Europe's busi-

ness telephone market. WorldCom, the US's fourthbiggest long-distance carrier. will acquire MFS Communications, a company that has built a series of local telephone net-works in the US and Europe over the past decade, in an allstock deal which values MFS at \$10bn.

The agreed takeover is the latest prompted by this year's Telecommunications Act in

WorldCom and MFS set sights on expansion in Europe the US, which has set in train as soon as the deal is coma deregulation of the country's

telephone markets. Mr James Crowe, chairman of MFS, said the merger would provide the resources to invest heavily in building new fibre optic networks in foreign cities. Over the next five years, he added, the company planned to build its own networks in 45 financial centres around the world.

By combining their existing local and long-distance fibre optic networks, the two companies are set to offer a complete package of services to as customers in the US

pleted. That could give them a head start over other US long-distance and local telephone companies, which must meet a series of regulatory requirements and conclude complex interconnection agreements before being able to offer a full range of telephone services.

WorldCom's offer of 2.1 shares for each of the 221m MFS shares outstanding, led to a \$4% fall in its stock price to \$22% yesterday morning. Shares in MFS rose \$9 to \$43%. Mr Bernard Ebbers, who has made WorldCom one of the

US's fastest growing companies over the past decade, said the agreement would hurt the company's earnings per share by the end of that period the savings from the combination would have equalled the full purchase price.

The two companies said they would save money because WorldCom would be able to reduce the access charges it pays to other local companies to complete its long-distance calls, and because the two would be able to use each other's infrastructure. Mr Crowe added that the

Chun Doo-hwan sentenced to die Roh Tae-woo and four businessmen given jail terms

in a Secul court yesterday

after being found guilty of

mutiny and sedition.

deal would free MFS to spend more on building networks in cities abroad. It would no longer need to build a longdistance network in the US, or an undersea cable across the Atlantic, he said. MFS's capital spending cur-

rently stands at some \$600m a year, but the company had

MFS aiready has an extensive fibre optic network in London. It also has less extensive networks in Paris, Frankfurt and Stockholm, and has present to under 1.5 per cent. received a licence to build in

completed a \$2bn acquisition of UUnet Technologies, a provider of Internet access ser-

Once the latest deal is completed. WorldCom will become the first US company to be able to offer local, long-distance and international service on its own networks, as well as internet access, Mr Ebbers said.

Mr Ebbers predicted that indicated earlier that it selling local service and Inter-intended to lift that to \$1.1bn. net access to WorldCom's existing long-distance customers would reduce the rate at which it loses customers from over 2.5 per cent a month at

Lex, Page 12

Clinton targets gun control on trip to woo Midwest

By Patti Waldmeir in Chicago

US president Bill Clinton yesterday proposed tougher gun control laws as he continued his whistle-stop tour of the Midwest to the Democratic party convention which opened in Chicago last night.

The president has proved a quick learner in the art of "pullman politics", exploited by presidents since Abraham Lincoln to boost their popularity among grassroots voters. Travelling in the same train used in a 1948 come-frombehind campaign by Harry Fruman, Mr Clinton passed through the key swing state of Ohio vesterday.

Waving from the back platform of a flag-bedecked rail car christened the "21st century express", Mr Clinton appeared rejuvenated by the kind of campaigning be likes best: direct contact with voters. He relied heavily on railway metaphors to convey his message: "I want America to know that we're on the right track in this country and we're going forward," he told

an Ohio relly yesterday. The president's rail journey. carefully scripted by two Hollywood producers, is designed to provide the drama lacking at the convention hall in Chicago, and to build suspense for his arrival at the convention tomorrow night when his party will nominate him to

run for a second term. Every day, he is due to nnounce a new initiative to capture headlines. Yesterday, he sought to adopt a tough profile on crime, by proposing minor change to laws to restrict gun sales to criminals. He proposed that those con-victed of domestic violence - a misdemeanour - be prevented from purchasing guns. Those guilty of felonies are already

barred from gun ownership. I believe strongly in the right of Americans to own guns. But if you commit an act of violence against your wife or your spouse, you shouldn't have a gun," he

The limited nature of the proposal reflects Mr Clinton's incremental approach to poli-tics, which focuses on small improvements likely to be popular with voters rather than revolutionary change.

This approach has proved popular. A CNN poli published yesterday showed Mr Clinton leading his Republican challenger, Mr Bob Dole, by 12 points even before the convention began, up from 7 per cent the week before, when ratings were boosted by the Republican party conver

.The president will be hoping to widen that lead further after the week-long Chicago celebration of his nomination.

Former South Korean presidents Roh Tae-woo (left) and Chun Doo-hwan grasp hands as they are sentenced

Lufthansa profits decline 37% after rivals cut prices

By Sarah Althaus in Frankfurt

Lufthansa, the German airline, said yesterday that aggressive price cuts by competitors and a fire at Düsseldorf airport had contributed to a 37 per cent fall in pre-tax profits in the

first six months.

Interim profits were DM119m (\$79.8m), compared with last year's DM189m. Although this was better than provisional figures released last month, investors were unmoved, and the shares eased to DM208.

The airline repeated that its goal for the full year was to match its record 1995 earnings of DM756m. It aims to save DM190m this year by cutting flights and reducing staff in an effort to counter falling pas-

senger numbers. Interim sales increased from DM9.2bn to DM9.8bn. For the full year, revenues are expected to rise about 5 per cent from DM19.9bn last time, the

group said. Luftbansa's Condor unit and its technical services and systems divisions contributed more than DM600m to interim turnover. The cargo business was the only unit to report lower sales. This was attributed to the weak domestic economy.

Passenger numbers edged up 0.4 per cent to 19.7m, with figures in Germany falling "well short of expectations". Lufthansa said. Cargo tonnage rose diversity, Page 3 | 2.8 per cent to 808,600 tonnes.

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LONDON -LEEDS -PARIS -FRANKFURT -STOCKHOLM - MADRED - MEN YORK -LOS ANGELES -TOKYO - HOME KON

68.3 per cent. Product improvements helped fuel a 5 per cent increase in revenue per pas senger kilometre. This more than offset a slight decline in yields per tonne of air freight.

Overall load factor, or aircraft

utilisation, fell 1.6 points to

Capital expenditure rose from DM798m to DM1.06bn, with DM810m spent on aircraft purchases or down navments. The results announcement follows a turbulent period for Lufthansa's share price, after a German newspaper reported in June that the group would make a big loss in the first half The stock fell sharply after Lufthansa confirmed that the period had been unsatisfac tory. It was not until last

the chairman, said the airline had made a profit. Lufthansa vesterday distanced itself from an aggressive attempt by one of its sales teams to raise its market

month that Mr Jürgen Weber.

The carrier's North Bavarian sales team had sent letters to some 20 travel agents encour aging them to keep the British Airways share of the German market below 15 per cent from mid-October to mid-December this year or risk getting worse terms of business from Luft

Lufthansa said the incident was unauthorised and that there would be "consequences" for the department involved.

leaders found guilty over coup By John Burton in Seoul

Former Korean

A former South Korean pres ident was sentenced to death yesterday and his successor was jailed for 221/2 years for leading a coup and taking

Four businessmen, including founder and chairman of the were given jail terms for bribchairman, and several other business leaders received suspended jail terms for corruption.

The death sentence on Mr Chun Doo-hwan and the jail term for Mr Roh Tae-woo were imposed after they were convicted of leading an army coup that brought them to power, and accepting millions of dollars in corporate bribes while in office.

Few believe that Mr Chun will be executed because President Kim Young-sam is expected to reduce the sentences of the ex-presidents in a display of executive clemency if court

appeals fail to do so. The prison sentences for Mr

Kim and the heads of three other business groups for giving bribes to Mr Chun and Mr Roh came as a surprise - the executives had been expected to receive lenient treatment

because of their importance to the Korean economy. The Daewoo chairman faces Mr Kim Woo-choong, the two years' imprisonment, together with Mr Chung Taelarge Daewoo conglomerate, soo of the Hanbo steel and construction group and Mr Chang ing the two ex-presidents. Mr Jin-ho of the Jinro beverage Lee Kun-hee, the Samsung group, if they lose expected appeals. Mr Choi Won-suk of the Dong-ah construction group received a 21/2-year

prison sentence. The two former presidents. dressed in powder-blue prison uniforms, briefly squeezed each other's hand in support before the sentence was read by a panel of three Seoul district court judges that had convicted them. They remained composed after the verdict.

The current president, a former political dissident who ordered the arrest of Mr Chun and Mr Roh last autumn, said

Continued on Page 12 Jail terms may harm Korean economy, Page 4

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index poses problem for Emu

By Gillian Tett. **Economics Correspondent**

Efforts to harmonise inflation data for European monetary union are being threatened by a disagree ment over what data to include in the index.

The problem means that European leaders may not have completely comparable data to enable them to judge which countries can join

European statisticians, who are battling to resolve the problem, insist that any discrepancies in the numbers should be relatively

But any divergence in the data could generate political controversy when the Emu members are decided - particularly if some countries miss the inflation criterion for monetary union by a small margin.

The problem has arisen because inflation is one of the criteria that will be used to measure whether countries qualify for Emu.

According to the Maastricht treaty, any country joining Emu in 1999 will need to have recorded an inflation rate in 1997 that is no more than 1.5 percentage points higher than the average of the best three performing BU countries.

To judge this, the European Commission will need inflation data that is measured in the same way in all countries.

However, the different EU countries currently use varying methodology to track prices - and include different items in their indi-

Eurostat, the statistical wing of the Commission, made one attempt to solve this problem earlier this year by publishing semiharmonised data which excluded all controversial

And it originally hoped that it would produce a fully harmonised series next year. Although it plans to publish a new series at the start of next year, this will still not be fully harmonised. which remain controversial such as housing costs.

health and education. Some statisticians hope that more comprehensive data may be available in later 1997. And considerable improvements in methodology have already been

But other observers fear that truly comparable data may not available until well after 1997 - or beyond the decision point for Emu.

As one national statistician says: "There are still big problems which need to be resolved."

Another adds: "It is still a long way to go until the EU data will look as reliable as our national data."

Excluding housing costs from the data in particular can have a significant impact on inflation num-

The difficulty has arisen because EU countries have very different housing practices.

Some countries such as Germany bave a large repted sector, and measure rental prices. But others. such as the UK and Ireland, measure house prices ipstead.

A similar problem stems from the treatment of public health and education costs, since some countries include them while others do not.

THE FINANCIAL TIMES THE FIN ANCIAL TIMES
Published by The Finnancial Times (Europe)
Grabil, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany, Telephone +49
9 150 550, Fax +499 99 506 4481, Represented in Frankfurt by J Waher Brand,
Wilhelm J Brissel, Coffin A. Kennard in
Geschaltedührer and in London by David
C.M. Bell, Charman, and Alan C. Miller,
Constit. Contracts. C.M. Bell. Churthan, and Alan C. Miller, Deputy Chairman. Shareholders of the francial Times (Europe) End. London and F.T. [Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Nursher One Swithwark Bridge, London. SF, 1944.

GERMANY: GERMANY: Responsible for Advertising: Colin A. Ken-nard, Pratter Hürmyet International Ver-lagsgesellschaft wibt. Admiral-Rosendahl-Straue vs. 63/53 Neu Isenburg ESN 0174 7363. Responsible Editor: Reshard Lam-bert. etc. The Financial Times Limited, Number One Southwark Bridge, Lemion eet until

PRANCE
Publishing Director: P. Maraviglia, 42 Rue
La Bactie, 75008 PARIS. Telaphone (01)
576 8251. Fax (01) 576 8253. Printer:
5.4. Nord Echar, 1521 Rue de Caire,
6.591(0) Roubert Cedea I. Editor: Richard
Lambert. ISSN 1148-2753. Commission
Parntaire No 5708D.
SWEDEN
Responsible Publisher: Hugh Carnegy 468
618 6083. Printer: AB Keallstriangen
Expression, PO Box 6007, \$550 06,
Jonkfring.

"The Financial Times Linuted 1996.
Editor: Richard Lambert,
co The Financial Times Linuted, Number
One Southwark Bridge, London \$E1 9111.
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Inflation | Coffee and politics in Banja Luka Rühe puts | Britons | held in

Edward Mortimer and Laura Silber on a Bosnian city's preparations for polls

ast September, when Croatia's victorious army was sweeping through north-western Bosnia, an exultant President Franjo Tudiman declared he would soon drink coffee in the Hotel Bosna in Banja

In fact he bowed to international pressure and halted his advance just short of Bosnia's second city, which remains the largest in Serb hands and seems almost certain to become the capital of the Bosnian Serb entity. Republika Sroska.

The Hotel Bosna forms one side of Banja Luka's "Ser bian Rulers' Square", between two nearly identical neo-baroque buildings glaring at each other across the open space: the university, which houses the office of Mrs Biljana Playsic, acting president, and the town hall headquarters of her opponent in next month's presi dential election, the popular mayor, Mr Predrag Radic.

On the hotel terrace, the Bosnian Serb elite takes its ease of an evening, but is not taking a break from politics. With internationally organised Bosnian elections set for September 14, government and opposition leaders can be seen moving from table to table, conferring with friends, wheeling and dealing with professors and war profiteers, chatting to journalists, or acknowledging the deferential greetings of supporters.

Secret police operatives keep watch on the scene, which includes a table permanently occupied by the leaders of the defunct "Serb republic of Kralina" in Cros-



CAMPAIGNING IN VLASENICA: As elections near in Bosnia, ultra-nationalist candidate Vojislav Seselj, Serbian Radical party head, meets supporters in eastern Bosnia

tia, which Mr Tudjman's army overran just over a vear ago. driving out its nearly 200,000 Serb inhabitants. Many are now refugees in the Banja Luka area.

Conspicuous by his absence is Mr Radovan Karadzic, the Bosnian Serb leader who last month. under intense international pressure, stepped down in favour of Mrs Playsic. Indicted war criminals are barred from office under the Dayton peace agreement, That has not dented the

confidence of his Serb Democratic Party (SDS), which most observers expect to win a comfortable majority of the Serb vote, as it did in Bosnia's last (and first) free election in 1990.

posters, including those of Mr Radic, are more conspicuous than those of the SDS in Banja Luka. Indeed, posters of Mrs Playsic herself are

reflects more arrogance than disarray in the ruling party. 'Yes, we'll have some," she says, "although personally I don't believe it's necessary.' Mrs Playsic, a former biology professor in Sarajevo, seems unruffled by her new role: "I didn't need to change anything in my politics". She scoffs at the "disinformation in the world that Mr

nowhere to be seen. But that

Karadzic invented the policies of Republika Srpska". "Those policies were created in 61 meetings of our national assembly during the war. I was part of that process and no one has the right to change those poli-

For her, that clearly means Bosnia will remain partitioned and - contrary to the Dayton agreement none of its more than 2m displaced people will return to their homes. Mrs Playsic insists not a single Serb wants to return to his home in the Moslem-Croat Federation "and they won't".

She agrees that under Dayton she "cannot forbid" Moslems from returning to their homes in Serb-controlled territory. "But I ask where we're going to put them, when we have 500,000 [Serb] refugees who have left their centuries-old property and

are now living an entire fam-Republika Srpska, she claims, has only 22 per cent of the housing in "former Bosnia-Hercegovina", and its obligation is to house Serb refugees, "not to accommodate Moslems"

Mrs Playsic admits to occasional telephone conversations with Mr Karadzic, but stresses that he remains at home in Pale, the entity's present capital close to Sarajevo, while she has moved her base to Banja Luka.

One point on which she igrees with Mr Radic - an SDS defector who, she predicts, will no longer be mayor after the elections is that Banja Luka, with its leafy boulevards, large population and relatively developed infrastructure, is much better suited to be a capital city than Pale, a ski resort. For the elections, the SDS

has allied with extreme nationalist parties based in Serbia proper. Mrs Playsic lumps all other parties together as the "left bloc". implying they are cat's paws of the Socialist Party of Serbia led by President Slobodan Milosevic.

Claiming to be a lifelong anti-communist, she makes no secret of her contempt for the Serbian president, who signed the Dayton agree-ment and forced the Bosnian Serbs to accept it.

Mrs Playsic says she once told Mr Milosevic to his face that "the entire Serb people" held him responsible for the loss of Krajina to Croatia, and "it is a real pity the Serbs don't have a proper leader, as the Croats have

Italian government set

figure on Norway on troop suspicion numbers of fraud

The German government has started to prepare public opinion to expect a continued presence of allied forces. including Germans, in former Yugoslavia after the mandate for the Nato-led Ifor peace keeping force expires at the end of this year, Peter Norman writes from Bonn.

Breaking an informal understanding that western politicians should not give the issue prominence before next month's Bosnian elections and US elections in November, Mr Volker Rühe, German defence minister. said discussions among the allies on a new mandate would begin at the end of September at a Nato defence ministers' meeting in the Norwegian city of Bergen.

Giving a first indication of possible troop strengths, Mr Ruhe said the allied role in Bosnia next year could be handled by up to 20,000 well armed troops with strong air support. This compares with an Hor force of around 50,000 at present.

In an interview with the Bild am Sonntag newspaper the minister said there were clear signs of cross party support in Germany for continued involvement by the German Bundeswehr, although with "markedly fewer soldiers" than at present. German has about 3,000 troops in Croatia and a further 500 Luftwaffe personnel in Italy to support German Tornado air missions over

Two Britons were remanded in custody for two weeks yesterday by a court in Stavanger in Norway after being arrested over the weekend on suspleion of involvement in an alleged fraud against Statoll, the state-owned Norwegian oil company, writes Hugh Carnegy in Stockholm.

Police in Stavanger said a year-long investigation in which police in Britain cooperated closely had led to the arrests of a 51-year-old senior engineer at Statoli and the 41-year-old owner of Idavoll, a North Sea oil industry consultancy which has had a series of contracts with Statoil worth a total of NKr80m (\$12.4m). Neither was named, in accordance with Norwegian legal proce-

The owner of Idavoll, who has lived in Norway since the early 1980s, admitted to police he had made a series of payments to the Statoil engineer over the past four years totalling £30,000 in acknowledgement for the many employees hired to Statoil through Idavoll. But he denied this had caused any damage to Statoil, his lawyer said.

"He accepts it was morally wrong, but he does not believe he broke Norwegian law," Mr Hakon Helie, his lawyer said.

Mr Helle said the Idavoil owner inherited the arrangement to pay the Statoil engineer from his predecessor, who died in 1992. The Statoil engineer is suspected by police to have received in total about £70,000 into a bank account in Guernsey in the Channel Islands from Idavoll.

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Statoll said it had contracts over the past eight years with Idavoil worth NKr80m. It said in most cases Idavoli had acted as an agency supplying teams of engineers and workers for specific maintenance and other contracts or had helped supply individuals for specific tasks within

Stavanger police said they had conducted searches of the suspects' houses and had papers and data that were being analysed. They said other individu-

als had been questioned by police in Britain, but declined to give further details.

They added that they had no grounds at present for any more arrests.

Money changers mark down Ukraine currency

By Matthew Kaminski

karbovanets, the Ukrainian currency, was vesterday marked down in street trading and exchange booths in the capital Kiev, a day after the government announced that a new currency, the hryvna, would replace it next week.

the independence day holiday and the karbovanets, in light trading on the Moscow foreign exchange market, held steady at 177,200 against the dollar; but it fell to 205,000 at some exchange kiosks in Kiev from 175,000 the previous day.

Most kiosks simply wid-

By Christopher Bobinski

Two private mobile phone

groups in Poland have received a boost in their

long-running negotiations

with the state-owned tele-

coms monopoly over fees for

Their hand in the negotia-

tions has been strengthened

because the country's civil

rights ombudsman has taken

the telecommunications min-

istry to court in an anti-

using its landlines.

monopoly case.

ened the buy/sell margins the dollar cost 200,000 karbovanets at the Mekos store, in central Kiev, but only 185,000 karbovanets could be bought for a buck.

The fluctuation in the street rate reflects popular unease that the government might use the currency reform to confiscate karbovanets kept under beds -Ukraine's inter-bank cur- and out of tax collector's

Ukraine's socialist party yesterday called on the government to impose a "different exchange coefficient" for amounts which "exceed comlegally earned money".

Some commercial banks ble flight back to the dollar

in a weak negotiating posi-

tion against state-owned

telecom company Telekomu-

This is because the opera-

tors' licences they got from

the government in February

oblige them to use TPSA to

connect calls between their

subscribers and fixed tele-

phones, as well as calls

between their mobile sub-

Zielinski, the civil rights

ombudsman, is arguing in

the name of Poland's con-

But now Professor Adam

scribers.

nikacja Polska SA (TPSA).

in the run-up to September when the hryvna comes into circulation.

The central bank last night stepped up its public relations campaign. The hryvna simply knocks off five zeros off the karbovanets, it said, and any amount can be swapped during the two week exchange period. It urged citizens to shun the high dollar rates.

uty prime minister, said Kiev would not confiscate savings: "We hope to never return to the time when serious economic decisions were monly understood bounds of built on to political games". Another official decried "agitation of the population" by have discounted for a possi- communists or currency speculators.

Boost for Polish mobile phone groups

The ombudsman has the

backing of the Anti-Monop-

oly Commission headed by

Mr Andrzej Sopocko, which

is concerned at the strength

of TPSA's position in domes-

of TPSA fear its dominance

could even grow as a result

of the government's eager-

ness to increase its sell-off

value once a start is made

on privatising the enterprise.

The ombudsman's case is

before the Administrative

Court, which has power to

telecom services. Critics

to rule on TV ownership three of Italy's 12 national channels - Canale 5, Italia 1 By David Lane

in Rome

The Italian government is expected to announce measures today to deal with a ruling by the constitutional court that current Italian law allows too much concentration of ownership in tele-

In December 1994 the court declared unconstitutional uation. allows a single operator to have 25 per cent of the total suggesting a 20 per cent find a solution. ceiline.

invest group, which has the task has now fallen to

number of powerful Polish

sche Telekom of Germany as

well as Elektrim, the listed

are planning to spend a total

of \$2bn on their mobile net-

works by the end of the cen-

tury and a limited service is

The interconnect fee is a

key component of their cost

due to start this autumn.

The two GSM operators

state-owned companies. The other group, PTC, is owned by US West and Deut-

Polish conglomerate.

Touch of the US and Tele works the mobile operators

Danmark and includes a could use instead of TPSA

and Retequattro - qualifying under the current ceiling but exceeding the court's proposed 20 per cent.
The three channels have a combined share of more

than 40 per cent of the Italian audience. The court gave parliament until today to rectify the sit-

casting legislation that erument led by Mr Berlusconi and the successor technocratic administration of number of national channels Mr Lamberto Dini failed to

The matter has not been This would affect Medi- brought before parliament, aset, the television part of which is currently in recess Mr Silvio Berlusconi's Fin- for the summer break, and

are those owned by Polskie

the power grid company, which is part of the Polkom-

tel consortium, and the Pol-

ish railway's communica-

works will be competing

with an older NMT system

run by Centertel, a joint ven-

ture between TPSA and

Ameritech of the US work-

Centertel, in place since

ing with France Télécom.

The two new GSM net-

tions system.

Sieci Energetyczne (PSE),

Mr Romano Prodi's centreleft government. Mr Berlusconi's political role has ensured that televi-

sion ownership has been a political issue. in a referendum last year, Italians voted against a proposal to reduce the number of channels owned by any

company to one to prevent films being interrupted by advertising and to prevent advertising pany working for more than two channels.

Parliament may take account of this favourable outcome for Mediaset when legislating, though the referendum's outcome has no effect on the constitutional court's ruling.

EUROPEAN NEWS DIGEST

Bonn setback for cuts plan

German government plans to cut spending and ease the burden of the welfare state suffered a setback yesterday, when the conciliation committee of the two houses of the Bonn parliament rejected key parts of the package. The opposition secured a majority in the committee, which is made up of parliamentarians from the government controlled Bundestag and from the Bundesrat, the second chamber, representing the states, in which Social

Democrat-led governments have the upper hand. It took less than an hour for the committee to throw out government plans to cut sick pay, raise the retirement age for women and relax protection against dismissal for employees of small businesses.

The vote, which was widely expected, does not mean the loss of the planned measures. They are expected to be supported by the Bundestag on Thursday as a preliminary to final acceptance on September 13, when the government will have to muster the votes of an absolute majority of MPs to ensure that they become Peter Norman, Bonn

Kurdish leaders face trial Leaders of Hadep, Turkey's only legal Kurdish political

party, are to go on trial accused of "establishing an illegal armed organisation". Mr Murat Bozlak and 40 other Haden members will be tried in a state security court where rules of evidence are looser and sentences harsher than in conventional courts. No date has been set. Prosecutors say Hadep is a front organisation for the banned Kurdistan Workers' party (PKK), which is fighting a separatist war. The indictment is an embarrassment for Turkey's Islamist-led government, which is trying to promote dialogue with moderate

Kurdish groups and end the fighting. Hadep took over 1m votes, mainly in the Kurdish south-east region, in December's elections, but failed to win a seat in parliament. John Barham, Ankara

Blow to Estonian president Mr Lennart Meri, Estonia's incumbent president, fared

poorly in yesterday's first round of presidential elections in parliament, increasing the chances that a "dark horse" candidate may emerge when the chamber reconvenes today. Mr Meri, who had won public backing of 60 MPs before the secret ballot, got only 45 votes, well short of the 68 needed for re-election. His challenger, Mr Arnold Ruutel, won 34 votes. The remaining 22 MPs abstalued. Mr Meri and Mr Ruutel are expected to be renominated today, but another candidate may step forward. If no winner emerges today, the electoral college will be

expanded to include 273 local government officials, among whom Mr Ruutel, leader of the nationalist Farmer's Assembly, enjoys more support. Matthew Kaminski. Elec

The two GSM mobile sumers that TPSA's priviwaive official decisions that structure. It will have to be 1993, has 110,000 subscribers. phone operators - Polkomtel and Polska Telefonia Cyfrowa (PTC) - have been leged market position con-travenes the country's infringe the law. fixed soon to enable prices to It, too, is under pressure The Polkomtel mobile be announced. from TPSA to double its The main alternative netphone group is led by Air anti-monopoly laws, interconnect payments. Barricades ready over night flights

possibly next year.

David Owen on a French town's anger at plans for a DHL distribution centre

Its present plans call for

gnomes and its quaint latticed the eastern French town of Holtzheim does not seem the sort of place whose 2,000 citizens would take readily to the barricades.

But that is just what they are threatening to do over plans for DHL, the international courier group, to site a distribution centre at nearby Strasbourg airport.

"We won't put on balaciavas and start holding press conferences with kalash-Mr Francis Settelen, deputy mayor. "But people will how to address such conbecome violent. It is a declaration of war. If we have to blockade the airport we will do so - all day and all night

if necessary." DHL - which was 25 per cent ownership by Germany's Lufthansa and 25 per ple, the fact that most aircent by Japan Air Lines needs its aircraft to be able to land and take off at night. craft can often land and People close to the likely depart in the same direction

7 ith its garden nocturnal flight paths fear if that helps avoid heavily the region with the lowest gnomes and its they might never get a populated districts. unemployment rate in decent night's sleep. "In order to sleep tomorrow, four flights a night in the let's wake up today," says the slogan on some of the objectors' posters.

DHL argues that its wide

final quarter of this year, rising to "probably 13" in 1998-99. It says 350 jobs would be created in the first experience of night-flying - three to four years of opera-The courier says 350 jobs would

be created in the first three to

Europe alone - has taught it years, most hired locally.

It says its aircraft all make less noise than International Civil Aviation Organisation guidelines permit and it uses other techniques to minimise disturbance. For examports have relatively little night traffic means that air-

four years of operation nikovs on our knees," says it has 215 flights a night in tion and 1,100 in the first 10 perous region, known for its beer and choucroute, can ill afford to turn jobs away at a time when the French how well DHL's arrival national unemployment rate is at 12.5 per cent and the

Even this relatively prosgovernment is seemingly powerless to stop it rising. Ms Martine Arnold, Strasbourg's planning and devel-

themselves felt even here. The number of business failures in Alsace in the first half of 1996, for example, was up 35 per cent from corre-Ms Arnold says Strasbourg's development plans have focused in recent years of Europe are based there ~ and the research strength of the city's university, notably in life sciences, which has helped attract multinational pharmaceuticals companies.

would square with the city's relatively new-found research metier. Dr Nicolas Herrenschmidt. director of the university's centre of primatology, has opment director, points out warned that an expansion

"seriously compromised" by DHL's plans because of the France," but there are signs the country's economic probrisk of an unacceptable level lems are beginning to make of noctornal noise. The point is not lost on Mr Settelen: "It is too noisy for the monkeys, but for us other monkeys...". The company is still optimistic it will be able to pro-

European interest" could be

ceed in October as planned. "We believe the studies will show the impact of our on Europe - the European night-flying can be con-parliament and the Council trolled to fit in with the concerns of the local population," says Mr Steven Lewis. Strasbourg project manager. "We are quite sure the economic study will show there is a large benefit not only in Some have doubts about the jobs DHL will create itself but in the impact the company will have on the Strasbourg area."

If the answer is no. Mr Lewis is "confident we would find another location", although the company is "not entertaining that that Alsace is "statistically project of "national and thought for the time being".

Democrats eager to reflect diversity

By Patti Waldmeir

The Democratic party will today adopt a platform which eschews many old Democratic policies, even though many delegates and podium speakers at its convention in Chicago are drawn from the liberal wing of the party.

A New York Times poll

published yesterday shows that 43 per cent of delegates describe themselves as "very" or "somewhat" liberal, though only 16 per cent of voters nationwide describe themselves in those terms. The Democrats, careful to reflect diversity both on the convention floor and at the podium, choose their delegates by a quota system, with 53 per cent women and 17 per cent black

The Republican party. which held its convention earlier this month in San Diego, was criticised for showcasing "diverse" candidates at the podium but not on the floor, where only 3 per cent of delegates were black.

And where Republicans carefully screened their



President Clinton addresses a crowd in Chillicothe, Ohlo, on his way by rail to the Democratic convention in Chicago

extremists who might broadcast divisions within the tions. party, the Democrats are planning to give podium time to some icons of the left, including Rev Jesse Jackson and Senator Edward Kennedy of Massachusetts. Both of them ran unsuccessful presidential campaigns in

of the party's liberal tradi- that discontent from the Mr Jackson, long known

as a rebel within the party, disagrees vehemently with President Bill Clinton about the welfare reform bill he signed last week - as do many delegates in the hall. podium speakers to avoid the 1980s based on a defence that he does not plan to fan

podium, when he speaks later today. Like the Republicans in San Diego, he is intent on stressing the heterogeneous element of his thus far in the election camparty, rather than airing its divisions on national televi-

But, ironically, total

Clinton even less than a show of dissent. Contrasting the liberals has helped him paign; to continue to run as a moderate, he may need to remind voters of the alterna-

Liberal speakers will prob-

ably claim the limelight early in the week, when Mr Jackson and Mrs Hillary Rodham Clinton - promi-nently associated with the party's liberal wing - will overshadow other more moderate speakers. But later in the week Vice-President Al Gore and the president himself, both moderates, will

Mr Clinton's aides say he will use the convention to begin repositioning the party there are few clues in the platform as to how that the president's current

The platform calls for "a smaller, more effective, more efficient, less bureaucratic government" and for a "moderate, achievable, common-sense agenda that will improve people's daily lives". It declares "the end of the era of big government" but also "a final rejection of the misguided call to leave our citizens to fend for themselves" - a sideswipe at the Republicans.

The platform focuses on domestic policy, and has lit-tle to add on the subject of

Most people in west aware of the Internet

although many countries

have achieved a fairly high level of PC ownership, many

households still do not have

a modem - a communica-tions device which enables a

computer to exchange infor-

mation over a standard tele-

about a fifth of all house-holds have a PC with a

Response Analysis in the US said: "The Internet is

quickly becoming the com-

munications medium of

higher-income consumers in

cant implications for how

products and services that

appeal to higher-income

and sold in the US market.'

Across the globe, a strong

relationship exists between

Internet awareness and

income levels. In the US, Canada and the Netherlands

come adults who use the

Internet at the office is twice

that of the general popula-

accessing the Internet at home than women in most

In the US and Canada

phone line.

Most westerners have heard of the Internet or the World Wide Web, even though many do not have the capability to use it, according to a survey of 18 countries conducted by the Belgium-based International Research Institutes (lris).

The survey, which was based on interviews with 15.835 adult consumers in 18 countries in Europe, North America, Mexico and Australia, shows that only a very small proportion of consumers in each country are able to access the Internet from their homes and only a small percentage of adults, mainly upper-income males aged under 55, have had hands-on experience with the Internet.

Within Europe, 91 per cent have beard of the Internet or the World Wide Web, the graphics-based part of the Internet which is based on "pages" of information connected by "hot-links". Bot-Spain and Cyprus, where

Men are more likely to be consumer familiarity is 44 per cent and 39 per cent

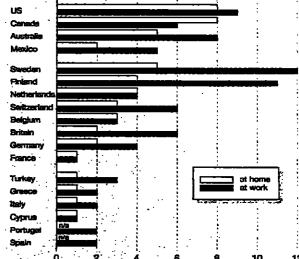
Among the survey's other

findings:

countries. Personal computer pene-

This gender gap is bigges in Finland, where the ratio is 8:1, but non-existent in tration is highest in Austra- France and Turkey.

Access to the internet



INTERNATIONAL NEWS DIGEST

Israel to cut interest rate

Israel's central bank yesterday said it would cut by 0.5 of a percentage point, to 15.8 per cent, the interest rate it parges commercial banks from September. The move followed a rate cut of 0.7 of a percentage point earlier this month, to 16.3 per cent, after the interest rate peaked at 17 oer cent in July.

The central bank said the pace of inflation was now lower than in the first half of the year. The rise of only 0.3 per cent in the consumer price index for July is in sharp contrast to the first half, when annualised inflation beaded towards 14.5 per cent.

But the Bank of Israel said inflationary expectations for the next 12 months - at 11 per cent - remained higher than the government target, and the government budget deficit target of Shk7.6bn (\$2.4bn) for 1996 might be exceeded by more than Shk4bn. These conditions "require both budgetary restraint and a continuation of monetary

Meanwhile, the central bank repurchased Shk250m in government bonds as part of a plan to boost bond prices which have fallen sharply because of massive public redemptions from long-term savings funds known as provident funds. The move was the second of three planned interventions in the bond market for August, in which the bank will buy back a total of Shk750m in

Yemen defiant over island

Yemen yesterday said it was pulling out of French-led mediation efforts to resolve its dispute with Eritrea over a Red Sea island, and vowed to force a withdrawal of Eritrean troops there.

"There is a limit to our patience", Mr Ghaleb Ali Jamil, vice-foreign minister, said. "We have the right under Article 51 of the United Nations charter to use all means to defend ourselves and to defend our land." The article allows member states to defend themselves against armed

Earlier this month Yemen threatened to take military triggered by the dispatch of Eritrean troops to the disputed Lesser Hanish island, near tanker routes at the Red Sea's southern entrance. Yemen said it sought a peaceful solution to the dispute. The two countries fought briefly last December and then agreed in May to French

Mr Jamil praised France's attempt to push negotiations but said they could be resumed only after Eritrea withdrew it troops.

Opposition to Savimbi post

Angola's Unita rebel group will join a coalition government but will not nominate its leader, Mr Jonas Savimbi, for the vice-president's post, Mr Marcial Dachala, the group's information secretary, was quoted as saying yesterday.

Mr Savimbi, who has said he does not want the job if it were mainly ceremonial, is expected to announce his final decision today. Several speakers at a Unita congress which finished yesterday spoke out against their leader's acceptance of the job, saying it would mean Mr Savimbi's AP, Bailundo, Angole

Conference to tackle child sex exploitation

The first international congress to examine the issue of commercial sexual exploitation of children opens in Stockholm today against a background of continuing child protection agencies say anguish and recrimination over a paedophile scandal exposed in Bel-

eign minister, is due to address the applications to attend the congress five-day conference, the importance of which has been underscored by the Belgian case, in expected to be represented and

to starve to death. The case has precipitated a wave of public criticism against the Belgian police and social authorities, illustrating the mounting pressure on policymakers to curb a problem which is growing swiftly world-

Swedish organisers yesterday Mr Erik Derycke, Belgium's for- said there had been a surge in in the wake of the affair.

· About 60 governments which children were abducted and will be joined by some 90 non-gov-sexually abused and two were left ernmental organisations. Mr

Göran Persson, Swedish prime minister, will open the event, which will focus on developing methods to combat child prostitu-tion, child pornography, and the sale and trafficking of children for One of the conference's tasks

will be to establish consensus on steps to tackle "sex tourism" in developing countries whereby paedophiles, mostly from industrialised nations, sexually abuse children while abroad.

Among the methods being canvassed are extradition of convicted offenders and tougher legal sanc-

tions, including seizure of paedophiles' assets. A joint declaration by participant nations will establish regional networks to tackle child sex abuse and improve implementation of the United Nations Convention of the Rights of the Child. Measures include improved transnational police coordination and greater victim sup-

In Sweden, the run-up to the event has been overshadowed by lax pornography laws.

published matter. Police and children's campaigners claim the exemption has resulted in Sweden becoming a European centre for child pornography. Public pressure has led to parlia

child pornography is legal, a loop-

hole rooted in liberal freedom of

mentary attempts to change the law, but efforts have so far foundered because they would require a constitutional change. That would mean ratification by two parliaments, and the earliest date for The country is one of the few adoption of new legislation is Jan-

HIV/Aids. Similar figures are

reported from Brazil and

A World Health Organisa-

tion paper prepared for the

Stockholm congress warns:

of children results in seri-

ous, often life-long, even life-

. the sexual exploitation

Timothy Ross

Mexico.

Sex tourists prey on Colombia's teenagers

L bean coast, was repeatedly attacked over the centuries by the French and British. But now the city is being stormed by a different sort of foreigner. Long a leading resort for

nolidaying Colombians and Europeans, Cartagena has turned into an important destination for sex tourists. attracted by sun, sea, cheap drugs and juvenile prosti-

hotel strip is an open-air sex market place, with girls as young as 12 on offer and groups of Italian, Spanish, German, French and Canadian men bussel from hotels

Grand solding

whom they spend the night. Even the old walled city that resisted so many pirate

and strip shows where teenage prostitutes wait for clients. Legitimate tourism, already suffering from Colombia's reputation for crime and violence, has been steadily replaced by sleaze

Pressure groups such as At night the Bocagrande End Child Prostitution in Asian Tourism (ECPAT) have publicised the conditions of hundreds of thou-Philippines, Sri Lanka and

be city of Cartagena, to "discoteques" where they Taiwan, and have pushed the sex trade and regular business, the Cartagena girls and 60 per cent of the through laws in most Euro- local clie pean nations for the prosecution of sex travel organisers.

Harder to tackle is the sexattacks has fallen to ual use of children by local red-light bars, noisy clubs customers. This week the Bogotá-based non-governmental organisation Renacer is to complete an investigation commissioned by the Colombian government's Family Welfare Institute on juvenile prostitution in Car-

Preliminary findings show the majority of the girls have come to the city from other parts of the country in the hope of making their forsands of boys and girls in tunes from foreigners, but brothels in Thailand, the that there are also core

"Colombian

attaches little social stigma to paying for sex with children." says Ms Marta Cardenas, administrative direcof the Renacer Foundation. "The number of under-age girls in prostitution is growing rapidly. Some go into it because they are from very poor, high unemployment areas, but now there are also many children from higher status families. In Cartagena some report making 3m pesos [about \$2,800 a month], nearly double the average

annual income." As more local voungsters were drawn into the sex

culture The mayor sent police to raid child brothels and in July, for the first time, a brothel manager and customer were arrested. But no one knew what to do with the children.

> therapy for children in prostitution, has been asked by the government to open a unit in Cartagena. There are believed to be

more than 21,000 under-age prostitutes in Colombia, with nearly 10,000 in Bogotá alone. Of those in Renacer homes, 15 per cent of the

enacer, which has eight years' experience in Bogotá of

threatening, consequences for the physical, psychological and social health and development of the child... The commercial sexual exploitation of children represents an erosion of human values and rights that threatens the health of

Films produced

Hollywood of Arab world lives in shadow of its past In the heat of August only Gamel Abdel Nasser – the Egyptian leader who nationalised the Suez on the Suez of the strong cinema tradition."

Canal - has the lure to induce nearly 2m Egyptians to sit quietly in front of a screen for 2 hours and 20

The film "Nasser 56" is on target to break all box office records in the 70-year history of the Egyptian film industry. It tells the story of Nasser's decision to defy the western world by seizing control of the Suez Canal, allowing the audience to relive what many Egyptians

nity that is fighting for its

A once-thriving industry which produced more than 80 films a year and brought the actor Omar Sharif to international attention has faded to a pale shadow of its former self.

Mr Kamai Ganzouri, Egypt's prime minister, has acknowledged that the film industry is in crisis and, in collaboration with the film producers, a rescue plan is being put into place.

"Cairo was, and still is, the Hollywood of the Arab world," says Mr Moneeb Shafic, chairman of the Egyptian Chamber of Cinema. "Egypt not only supplies films to the 22 Arab countries, but to markets in Asia, America, Europe, and

Ironically, the interna-

because of international piracy of its films.

The US, home to 5m people of Arab origin, and the Middle East, with more than 200m people, are said to be the two biggest copyright

Egypt now has a desperate

need for cinemas. It once had 450, but only 150 remain open to serve 60m people. Most are in poor condition with outdated equipment. Cinemas have closed as a

iolators. result of falling revenues,
The advent of satellite TV high taxes and a big rise in and the mushrooming of property values. There is a

Sean Evers on a rescue plan for Egypt's film moment in the 20th century.

The film's success is a welcome relief to a file of the 20th century. come relief to a film commu-fighting for its survival

> Gulf war have seen royalties practically dry up to E£2m a

> Only 13 films were made last year, the smallest number in the industry's history. The 35 local films screened in Egypt in 1994 made only EC15m. At an average cost of Esim to produce, the incentive to invest has waned sub-

> stantially. Mr Mohammed Fadel, director of "Nasser 56". believes that the Egyptian cinema industry began to deteriorate in 1974, when President Anwar Sadat abandoned socialism and introduced a new "open door policy". "It was not a well thought out policy," he said. "It displaced the educated

dishes throughout the Arab 22 per cent "cabaret" tax on world in the aftermath of the tickets, and a 33 per cent tax on box office revenue. Cinemas must pay extremely high electricity rates, which can amount to E£10,000 a month.

With fewer cinemas and rising production costs, film makers have been forced to raise production finance by selling off foreign distribution rights.

The distributors, mainly from the Gulf, started to dictate scripts' content to appeal to external tastes. This is said to have resulted in a decline in artistic standards and has put leading Egyptian film-makers out of work for refusing to compro-

All these factors have combined to push up the average tional appeal of Egyptian middle class and supported cinema ticket price from

made a E£2 video rental, which can be shared by a whole apartment block, a more comfortable and realistic alternative for a night's entertainment.
Mr Youssef Chahine, a leading Egyptian film-maker, believes that the industry

could be revived "if taxes were cut, the bureaucrats properly liberalised". The 1996 Locarno International Film Festival commemorated the work of Mr Chahine, screening all 37 of his films - a first for an Arab

The Egyptian Chamber of Cinema has spearheaded a critical dialogue with the government to salvage the industry and return its control to Egyptian hands. According to an official close to the negotiations, the government is set to agree to chamber's three

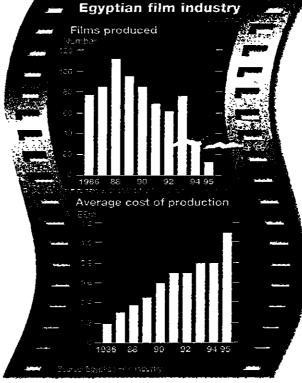
Provision of government land at discount rates on which to build new cinemas. Suspension of all taxes related to the industry for a 10-year period, accompanied by a reduction in rates. Egyptian government

support to protect the rights

the

of Egyptian films outside Egypt. In the wake of President Hosni Mubarak's recent visit to the US, where the copyright issue was discussed, the FBI has initiated an investigation into piracy of Egyptian intellectual property in the US.

The Egyptian Chamber of



Cinema in partnership with two leading Egyptian banks, will launch a limited company later this year. This initiative will complement the expected government

With an initial investment of E£500m, the Egyptian Cinema Company will build new cinemas, studios and labs, and will finance film produc-

Twenty per cent of the finance will come from the members of the chamber (directors, producers and writers), 20 per cent from the National Bank of Egypt and MISR National Bank, 30 per cent from individual strategic investors, and 30 per cent will be floated on the Cairo

The producers of "Nasser 56" have used their film to test the size of the potential film-going audience in Egypt.

The film was placed in more than 20 cinemas throughout the country. with ticket prices ranging from E£1.5 to E£18. They have repeatedly announced that it will not go to video for at least 18 months. The result: it has played to capacity houses since it opened and is grossing about

Despite all the current difficulties in the industry, Mr Fadel - the director of "Nasser 56" - says: "If you want to make a good film, there is now a new audience waiting

R£1m a week

Jail terms may harm Korean economy

John Burton reports on the impact on investor confidence as some chaebol lose their heads

The death sentence handed South Korean president Chun Doo-hwan and prison terms for his successor Roh Tae-woo and several business leaders may have helped cleansed one of South Korea's darkest chapters. But the price could be increased uncertainty for an economy that is already faltering.

The biggest worry expressed by equity analysts is that the unexpectedly tough prison terms for bribery meted out to Mr Kim Woochoong, founder and chairman of Daewoo, and three other conglomerate chiefs could undermine inves-

tor confidence.
"The fear is that the court's decision could presage new clashes between the government and conglomerates, when they need to co-operate instead to boost eco-nomic growth," said Mr Andrew Holland, head of research at BZW Securities in Seoul.

The Federation of Korean Indus-

tries, which represents the country's biggest chaebol (industrial groups), said the sentences would hurt business confidence and harm Korea's corporate image abroad.

Poor economic news has already depressed the Seoul bourse, with the government recently estimating the trade deficit could reach a record \$20bn this year. The general share index closed down almost 2 per cent shortly after the court



Lee Kun-bee, chairman of Samsung (left), and Mr Kim Woo-choong of Daewoo enter court in Seoul yesterday before sentencing

receive suspended jail terms on appeal," said Mr Holland.

The courts have normally been lenient toward business leaders expected. contribution to the nation's eco-The consequences of imprison-omic development. But even if Chung Ju-yung, the founder of

ing the business leaders are so this happens on appeal, concerns awful for the economy that the remain about the fate of Daewoo market is hoping that they will and the other debt-laden industrial groups involved in the bribery case with Mr Chun and Mr Roh.

Some analysts believe the government may force the convicted revealed its verdicts. Further falls tried for corruption by citing their Daewoo chairman to resign from

Hyundai, after be was convicted of Won-suk of Dong-ah were conillegal spending for his unsuccessful presidential campaign in 1992.

for the construction of a nuclear power project in the early 1990s. Some critics contend that the There is already talk that the Daewoo founder will go into exile government of President Kim in eastern Europe to oversee the Young-sam has been selective in group's car production expansion pursuing corruption cases by tarin the region. However, the removal of Mr Kim from the helm geting businessmen who have opposed the present administracould hurt the group's ambitious tion. Daewoo's Mr Kim has run \$10bn overseas expansion profoul of the government ever since gramme since Daewoo is widely he considered standing as an oppoconsidered to be one-man operation sition candidate against President centred on Mr Kim.

Mr Kim has personally negotiated most of the group's overseas projects. His conviction and loss of status could make it harder for Daewoo to attract the foreign funds needed to finance global expansion.

Institutional investors overseas have already expressed concerns about Daewoo's high gearing ratio of 300 per cent, with some suggest-ing that a capital shortage affecting Korea's fourth largest group could result in a financial crisis for the country. Worries have also focused on the financial soundness of the Hanbo steel and construction group, whose chairman also received a jail sentence yesterday.

The Seoul district court explained it imposed prison terms on the four business leaders because all had been prosecuted on previous bribery charges. Besides Daewoo and Hanbo, they included the heads of Dong-ah, one of Korea's largest construction groups, and Jinro, a main beverage producer.

Daewoo's Mr Kim and Mr Choi finance his 1992 election.

Japan spending . O.V.d. requests up 8%

General account spending requests from Japanese government departments for the fiscal year beginning next April totalled Y81,400bn (\$750bn), finance ministry

officials said yesterday - 8 per cent higher than the current year's initial planned spending total.

The bulk of the increase is the result of a sharp rise in debt servicing costs and tax grants to local authorities. The recession of the early 1990s has forced the government to increase borrowing in the face of rising demand for public spending and falling tax revenues. This year alone, the central government was forced to raise about Y22,000bn through the issue of deficit-financing

Total debt service costs are expected to rise by 11.6 per cent to Y18,270bn next fiscal year. Grants to local authorities will be about Y17,250bn, an increase of 26.8 per cent. General expenditures, excluding debt service costs and local authority grants, are expected to rise by about and rocal authority grants, are expected to list of the final, 3.4 per cent to Y44,620bn. Though the figures are not final, the likely overall spending increase will almost certainly force the government to issue deficit-financing bonds again next year, officials said.

Gerard Baker, Tokyo

Mitsubishi in China venture

Mitsubishi Motors (MMC), a leading Japanese vehicle maker, has agreed two joint ventures to produce vehicle engines in China.

MMC is the second Japanese company to win approval for engine production in China after Toyota, which announced in May it had won approval for a joint engines

manufacturing venture in northern China. MMC has tied up with Aviation Industries of China to produce 1,300cc petrol engines in Harbin and matching transmission starting in 1998. The engines will be used in cars and light vans manufactured by a subsidiary of the

Chinese partner. The joint venture plans to increase output of the engines and transmissions to 150,000 units in five years. Separately, MMC will make 2,000cc and 2,400cc engines with China Aerospace Automotive Industry Group in Shenyang from 1999. The engines will be used in one-tonne vans and mini-buses made by the Chinese

Stop missile sale, urges China

China yesterday demanded that the US halt sales of Stinger missiles to Taiwan, as an 80-strong delegation of Taiwanese industrialists prepared to visit Beijing to boost trade and economic ties.

Warning of "new damage" to US-China relations, Beijing called on Washington to live up to promises to reduce weapons sales to the island Beijing regards as a rebel Chinese province. Washington has said the weapons are defensive and do no violate agreements with Beijing. Business ties between the two sides are growing in spite of political differences. Mr Kao Ching-yuan, vice chairman of President Enterprises, a Taiwanese foods group. Will lead a delegation of 80 businessmen to Beijing this Laura Tyson, Taipei

Indian army rescues pilgrims

Indian army helicopters helped rescue 2,000 pilgrims from the Himalayan foothills at the weekend as tens of thousands of pilgrims climbing to a holy cave ran into below-freezing temperatures and severe wind and rain. The authorities said 127 people died on the pilgrimage to the holy Amarnath cave, where devotees worship an

ce stalagmite. Among the dead were naked holy men. More than 60,000 pilgrims were marooned at Pahalgam, the base camp for the five-day, 50km trek up to the cave which lies at 3,880m metres - because all roads were cut off by rains last week. Many pilgrims were angry at what they saw as poor arrangements by the government. "We

Sri Lanka raises bread prices Sri Lanka yesterday announced a sharp increase in bread

prices, the third rise in five months, and attempted to soften the blow for state employees with a pay rise. Tomorrow's 21.5 per cent rise in the price of wheat floor follows a 15 per cent rise last month and 5 per cent in April. Prices have risen as the government's spending on the war against Tamil Tiger rebels has escalated beyond the budgeted Rs38bn (\$680m) for 1996 - it is now expected to be close to Rs50bn. Amal Jayasinghe, Colombo

Ramos wants port deal reviewed HK group to

By Edward Luce in Manila

President Fidel Ramos yesterday called for a review of last week's decision to award the privatisation of Subic Bay port to Hong Kong-based Hutchison Whampoa in a move which is likely to result in formal re-bidding.

The award, which marked Hutchison's continuing expansion in overseas port management, has been contested by International Container Terminal Services (ICTSI), the Philippines' largest container handling company. Philippine government officials said

the decision to choose Hutchison. which bid \$28 per 20ft equivalent unit (TEU), over ICTSI, which bid \$56 per TEU, could cost the country up to 8bn pesos (\$300m) in forgone revenues. Subic Bay has a capacity of 900,000

fastest growing special economic zone, disqualified ICTSI from the 25-year contract on the grounds that it already owned the country's largest port in Manila. Port officials cited a government competition circular which stated that one operator could not own

more than 20 per cent of a rival port. "The President is quite concerned because this is one of the major projects of the SBMA [Subic Bay metropolitan authority] and it involves not only Filipinos but foreign participants as well," said Mr Renato Cayetano, the president's chief legal aide, who has until Thursday to submit his findings.

Executives at ICTSI, which has stakes in the ports of Karachi, Veracruz and Buenos Aires, said it would take the matter up to the Supreme Court if both the appeal and the presi-EUs a year. dential review failed to overturn the Officials at Subic Bay, the country's decision. "We will fight this to the

bitter end no matter how long it takes," said Mr Enriquez Razon, ICTSI chairman. "The decision to disqualify ICTSI was taken on a sporious basis without any regard to legality."

Subic Bay, a US naval base until the Americans left in 1992, is mounting an aggressive drive to attract Hong Kong investors nervous about the 1997 handover to China. Analysts believe the decision to choose Hutchison, Hong Kong's largest port operator and manager of Felixstowe in the UK, could have been influenced by the zone's campaign to attract more investment from the British territory.

A spokesman for Subic yesterday described ICTSI's bid as "bafflingly high" and said a reversal of the Hutchison award would cause "irreparable harm to the country's future as an Asian shipping hub".

promote rights backing in Hong Kong, even from supporters of the party, By John Ridding in Hong Kong prompting strains among A group of Hong Kong law

makers yesterday launched political grouping aimed at defending democracy and human rights as the territory prepares for the handover to China on July 1 next

The Frontier, which includes Ms Emily Lau, a prominent legislator, is a broad alliance of students, trade unionists and teachers rather than a formal party. It calls for universal suffrage for the head of the post-1997 administration and opposes China's plans to replace the existing legislature.

The move comes as China democracy and freedom" the is seeking to win backing for Frontier said it hoped to its handover plans from prodemocracy forces in the ter- cause. It cited concerns ritory, raising the prospect about political freedoms

This month, China hinted it would accept representatives from the Democratic party, the largest group in members of a committee call was rejected by the Democrats. But it got public forces.

pro-democracy forces. Members of The Frontier

victed last year of offering a hribe

Kim in the 1992 election.

helped breed.

Indeed, the government's punish-

ment of the Mr Chun and Mr Rob,

the former military-backed presi-

dents, and the businessmen has

come from a blend of altruism and

Machiavellian motives. It has

enjoyed wide support among the public, which resents the former

military dictatorship and the eco-nomic power of the chaebol that it

President Kim has also used the

sedition and corruption charges

against his predecessors as an opportunity to take control of the ruling party from supporters of the

two ex-presidents, thereby consoli-dating his political power. Some question remain, however,

whether President Kim has created

a dangerous precedent for himself.

Once he completes his mandated one-term presidency in early 1998,

he may be forced to confront oppo-

sition charges that he illegally accepted slush funds from his for-

mer political ally Mr Roh to

and of the Democratic party dismissed claims that the new organisation would exacerbate divisions among pro-democracy forces. Mr Martin Lee, Democratic party leader, said he welcomed more voices in sup-port of the same issues, while another official said the five legislators in the Frontier frequently co-operated with the Democrats. The new organisation does not plan to contest seats in

elections, but by "hoisting the banner of human rights, attract supporters to its

Like the Democratic party leaders, the leaders of the Frontier reject membership of the Selection Committee which will choose the postthe Legislative Council, as 1997 leader. However, in a recent article, Ms Lau prewhich will select the territo- dicted that some pro-democry's post-1997 leader and a racy politicians would join provisional legislature. The the body, revealing weaknesses in the pro-democracy

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

UNITED STATES I JADAN

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	Hampu Money (M1)	Honey (Marcy (Marcy	Short Interest Rate	Long Interest Rate	Equity Market Yield	- Marryw - Mining (441)	Broad Midnig (M2+CDe)	Short Interest Rate	Long Interest Rate	Signity ' Silectent Yield	Nerrow Money (At)	Sreed Mosey (ACS)	Short loterest Rate	Long Interest Rate	Equi Med Yi
1986	13.5	8.1	6.49	7.67	3.43	6.9	8.2	5.12	5,35	0.84	9.9	7.3	4.64	5.90	• 1.7
1987 1988	11.6	6.5	6.82	8.39	3.12	10.5	11.5	4.15	4.64	0.55	. 9.0	7.3	4.03	6.14	2.2
1989 1989	4.2 1.0	5.4 4.2	7.65 8.99	8.84 8.50	3.61 3.43	8.4	10.4	4.43	4.77	0.54	9.8	6.4	4,34	6,46	2
990	3.6	5.5	8.08	8.55	3.60	4.1 . 2.6	10.6 .8.5	5.31	5.16	0.48	6.3	5.7	7.12	6.90	2.2
991	6.0	3.7	5.87	7.86	3.21	5.2	20	7.82 7.21	6.90 6.40	0.85 0.75	4.5	4.5	8.49	8.86	2.1
892	124	2.0	3.75	7.00	2.95	4.5	-0.4	4.28	5.24	1.00	- 5.1 7.1	5.B.	9.25.	8.42	. 23
993	11.6	1.2 ·	3.22	5.86	2.78	3.0	1.4	2.88	4.1B	0.87	9.4	8.2 7.9	9.52	7.80	- 24
994 .	6.2	1.4	.4.67	7.08	2.86	5.4	2,9	.212	4.20	0.78	9.6	9.0	7.28 5.36	6.47	2.1
996	-0.3	2.1	5.93	6.57	. 2.61	. 8.2	3.2	1.12	3.39	0.86	3.7	0.0	4.53	6.86 6.82	1.7
rd qtr.1995 th etr.1995	-0.6 -1.8	3.0 4.0	5.79	6.32	. 2.53	8.6	2.8	0.66	3.05	0.86	3.2	-0.7	4.41	6.68	1,1
#t qtr.1996	-2.4	5.3	5.73 5.30	5.89 5.89	2.38 2.21	12.9	82	0.43	2.88	0.81	4.9	1,3	4.01	6.32	2
nd atr.1996	-2.5	5.3	5.42	6.70	2.18	15.5 15.7	3.1 3.8	0.49	3.16	0.76	9.5	5.4	3,45	6.17	1
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lovember	-1.7	3.9	5.74	5.93	2.42	13.9	3.4	0.41 0.44	2.89 2.88	0.83	4.0	0,4	4.09	6.55	2.0
ecember	-2.1	4.4	5.63	5.71	2.24	12.8	32	0.42	2.88	0.83 0.77	4.4	1.0	4.01	6.32	2.0
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terch . prii	-1.9 -2.4	. 60	5.31	6.26	2.19	16.1	3,1	0.51	3.18	0.77	10.6	5.9 6.7	3.35	6.18	- 1.6
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967 988 989 990 981 982	4.1 8.9 7.5 8.8 -4.9 -0.2 1.6	6.4 11.5 8.3 10.0 9.3 2.4 5.4	7.79 8.63 7.94 9.40 10.32 9.62 10.38 8.66	8.36 9.46 9.08 8.79 9.92 9.03 8.57 6.75	2.65 2.75 3.69 2.88 3.19 3.58 3.55 3.21	10.5 10.4 7.8 7.1 9.3 7.3	8.4 9.6 8.5 9.3 10.1 6.5 7.7	13.25 11.32 11.21 12.42 11.98 11.83 18.86	11.47 10.58 10.54 11.61 11.87 13.20 13.29	1.41 1.94 2.71 2.45 2.84 - 3.45 3.63	4.0 4.7 6.8 5.9 5.3 2.4 2.4	15.4 15.2 17.3 17.6 16.1 8.0 5,1	11.02 9.77 10.41 13.98 14.82	10.21 9.69 9.62 10.11 11.56 10.08	4.3 4.4
967 988 989 990 991 982 983	4.1 8.9 7.5 8.8 -4.9 -0.2 1.6 2.9	6.4 11.5 8.3 10.0 9.3 2.4 5.4 -2.2 0.7	7.79 8.63 7.94 9.40 10.32 9.62 10.38 8.66 5.84	8.36 9.46 9.08 8.79 9.92 9.03 8.57 6.75 7.21	2.65 2.75 3.69 2.68 3.19 3.56 3.55 3.21 2.99	10.5 10.4 7.8 7.1 9.3 7.3 6.7 4.6 6.6	8.4 9.5 8.5 9.3 10.1 6.5 7.7 7.4 5.1	13.25 11.32 11 12.42 11.98 11.83	11.47 10.58 10.54 11.61 11.87 13.20 13.29 11.23	1.41 1.94 2.71 2.46 2.84 - 3.45 3.63 2.35	4.0 4.7 6.8 5.9 5.3 2.4 4.9	15.4 15.2 17.3 17.6 16.1 8.0 5,1	11.02 9.77 10.41 13.98 14.82 11.58	10.21 9.69 9.62 10.11 11.56	4.3 3.6 4.4
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967 968 989 980 981 982 983 984 985 rd qtr.1995 st qtr.1995 st qtr.1996	4.1 8.9 7.5 3.8 4.9 0.2 1.6 2.9 8.8	6.4 11.5 8.3 10.0 9.3 2.4 5.4 -2.2 0.7 4.7	7.79 8.63 7.94 9.40 10.32 9.82 10.38 8.66 5.84 6.50	8.36 9.46 9.08 8.79 9.92 9.03 8.57 6.75 7.21 7.53 7.35 7.10	2.65 2.75 3.69 2.68 3.19 3.58 3.55 3.21 2.99 3.17	10.5 10.4 7.8 7.1 9.3 6.7 4.6 8.5 77.0.6	8.4 9.6 8.5 9.3 10.1 6.5 7.7 7.4 4816 0.5 2.1 2.5	13.25 11.32 11.32 11.31 12.42 11.98 11.83 13.86 10.22 8.48 10.38 10.52 10.60 9.88	11.47 10.58 10.54 11.61 11.87 13.20 13.29 11.23 10.58 12.22 11.79 10.57	1.41 1.94 2.71 2.46 2.84 - 3.45 3.63 2.36 1.67 1.72	94.0 4.7 6.8 5.9 5.3 2.4 2.4 2.4 5.9 6.4 5.6 5.6	15.4 15.2 17.3 17.6 16.1 8.0 5.1 3.5 5.0 7.2 8.3 9.4	11.02 9.77 10.41 13.96 14.82 11.56 9.74 5.99 5.57 6.77	10.21 9.69 9.62 10.11 11.56 10.08 9.09 7.40 8.01 8.16	436 448 448 449 440 440
967 989 989 990 991 983 984 985 rd qtr.1985 th qtr.1986 st qtr.1986	41 39 7.5 38 49 -02 16 29 8.5 3.3 8.8 7.8 7.8	6.4 11.5 8.3 10.0 9.3 2.4 5.4 -2.2 0.7 4.7 5.3 4.7 3.2 0.6	7.79 8.63 7.94 9.40 10.32 9.62 10.38 8.66 5.84 6.60 6.12 6.14 4.47 3.96	8.36 9.46 9.08 8.79 9.92 9.03 8.57 6.75 7.21 7.53 7.35 7.10 6.55 6.51	2.65 2.75 3.69 2.88 3.19 3.58 3.21 2.99 3.17 3.11 3.25 3.10 3.02	10.5 10.4 7.8 9.3 7.3 6.7 4.6 8.5 74,0.5 0.9 0.9	8.4 9.6 8.5 9.3 10.1 6.5 7.7 7.4 5.1 49.6 0.5 2.1 2.5 3.6	13.25 11.32 11.24 11.98 11.83 13.86 10.22 8.48 10.38	11.47 10.58 10.54 11.61 11.87 13.20 13.29 11.23 10.58 12.22 11.79 11.50	1.41 1.94 2.71 2.46 2.84 - 3.45 3.63 2.35 1.67 1.72	4.0 4.7 6.8 5.9 5.3 2.4 4.9 6.4 5.9	15.4 15.2 17.3 17.6 16.1 8.0 5.1 3.5 5.0 7.2 8.3 9.4 10.2	11.02 9.77 10.41 13.96 14.82 11.56 9.74 5.57 6.77 6.87 6.71 6.28	10.21 9.69 9.62 10.11 11.56 10.08 9.09 7.40 8.01 8.16 8.09 7.77 7.72	436 448 448 449 440 440
967 989 989 990 991 982 983 984 rd qtr.1995 st qtr.1996 and qtr.1996	41 89 75 88 49 02 16 29 88 33 88 78 78	6.4 11.5 8.3 10.0 9.3 2.4 5.4 2.2 0.7 4.7 6.3 4.7 3.2 0.6	7.79 8.63 7.94 9.62 10.32 9.62 10.38 8.66 5.84 6.60 6.12 6.14 4.47 3.96	8.36 9.46 9.08 8.79 9.03 8.57 6.721 7.53 7.35 6.55 6.51	2.65 2.75 3.69 2.68 3.19 3.58 3.55 3.21 2.99 3.17 3.11 3.26 3.10 3.02	10.5 10.4 7.8 7.1 9.3 7.3 6.7 4.6 8.5 7.7,0.6	8.4 9.6 8.5 9.3 10.1 6.5 7.7 7.4 486 0.5 2.1 2.5 3.6	13.25 11.32 11.71 12.42 11.98 11.83 13.86 10.22 8.48 10.38 10.52 10.60 9.88 9.01	11.47 10.58 10.54 11.61 11.87 13.20 13.29 11.23 10.58 12.22 11.79 10.57	1.41 1.94 2.71 2.46 2.84 3.63 2.35 1.67 1.72 1.84 1.77	94.0 4.7 6.8 5.9 5.3 2.4 4.9 6.4 5.8 5.8 5.8 5.8	15.4 15.2 17.3 17.6 16.1 8.0 5.1 3.5 5.0 7.2 8.3 9.4 10.2 10.0	11.02 9.77 10.41 13.99 14.82 11.56 9.74 5.97 6.77 6.87 6.71 6.28 6.06	10.21 9.69 9.62 10.11 11.56 10.08 9.09 7.40 8.16 8.09 7.77 7.72 8.08	426 448 448 449 449 449 449
967 989 989 980 981 982 983 984 985 rd qtr.1985 st qtr.1986 st qtr.1986 august 1995 september	4.1 5.9 7.5 3.8 4.9 0.2 1.6 2.9 8.8 7.8 7.8 7.8	6.4 11.5 8.3 10.0 9.3 2.4 5.2 2.2 0.7 4.7 5.3 4.7 3.5 5.1 5.3	7.79 8.63 7.94 9.90 10.32 9.82 10.38 8.66 5.84 6.60 6.12 6.14 4.47 3.96 5.96 5.98	8.36 9.46 9.08 8.79 9.92 9.03 8.57 6.75 7.21 7.53 7.35 7.10 6.55 6.51	2.65 2.75 3.69 2.89 3.19 3.58 3.55 3.29 3.17 3.11 3.26 3.10 3.00 3.19	10.5 10.4 7.8 7.1 9.3 7.3 6.7 4.6 8.5 717.9.6 0.9 0.9 -0.7 -1.0	8.4 9.5 8.5 9.3 10.1 8.5 7.7 5.1 4.5 2.1 2.5 3.6 0.4 1.5	13.25 11.32 11.32 11.31 12.42 11.83 13.86 10.22 10.60 9.80 9.01	11.47 10.58 10.58 10.58 11.87 13.20 13.20 13.23 10.58 12.22 11.79 10.57 9.89	1.41 1.246 2.74 2.84 3.45 3.63 2.35 1.67 1.72 1.84 1.77 1.74 2.24	94.0 4.7 6.8 5.3 2.4 2.4 2.4 5.6 5.6 5.6 5.6 5.6 6.5	15.4 15.2 17.3 17.6 18.1 8.0 5.1 3.5 5.0 7.2 8.3 10.0 8.5	11.02 9.77 10.41 13.96 14.82 11.56 9.74 5.97 6.77 6.87 6.71 6.28 6.06	10.21 9.69 9.62 11.56 10.08 9.09 7.40 8.01 8.16 8.09 7.77 7.72 8.08	43.44.54.45.45
987 989 989 990 991 992 983 984 985 rd qtr.1995 st qtr.1996 nd qtr.1996 nd qtr.1996 nd qtr.1996	41 89 75 88 49 02 16 29 88 33 88 78 78	6.4 11.5 8.3 10.0 9.3 2.4 5.4 2.2 0.7 4.7 4.7 3.2 0.6 5.1 5.3 5.1	7.79 8.63 7.94 9.40 10.32 9.62 10.38 8.66 5.84 6.60 6.12 6.14 4.47 3.96 5.96 5.96 6.59	8.36 9.46 9.08 8.79 9.02 9.03 8.57 6.75 7.21 7.53 7.36 7.10 6.55 6.51 7.30 7.34 7.47	2.65 2.75 3.69 2.88 3.58 3.55 3.21 3.17 3.11 3.26 3.10 3.02 3.02	10.5 10.4 7.8 9.3 7.3 6.7 4.6 8.5 77.0.6 0.9 -0.7 -1.0	8.4 9.5 9.5 9.3 10.1 6.5 7.7 7.4 5.1 4.0 2.1 2.5 3.5 0.4	13.25 11.32 11.32 12.42 11.98 11.83 13.86 10.28 10.52 10.60 9.88 9.01 10.44 10.26	11.47 10.54 11.61 11.61 13.29 11.23 10.56 12.22 11.79 10.57 9.89 11.67 11.69	1.41 1.94 2.71 2.46 2.84 3.63 2.35 1.67 1.72 1.84 1.77	\$4.0 4.7 6.8 5.9 5.3 2.4 4.9 6.4 5.6 5.6 6.5 5.6 6.5	15.4 15.2 17.6 18.1 8.0 5.1 3.5 5.0 7.2 8.3 9.4 10.0 8.5 8.3	11.02 9.77 10.41 13.99 14.82 11.58 9.74 5.57 6.77 6.87 6.86 6.86 6.88	10.21 9.69 9.62 10.11 11.56 10.08 9.09 7.40 8.01 8.06 7.77 7.72 8.09 7.77 7.72 8.00 9.00 9.00 9.00 9.00 9.00 9.00 9.00	43.44.54.45.45
967 988 989 989 981 982 983 984 985 rd qtr.1995 th qtr.1995 and qtr.1995 and qtr.1995 hugust 1995 eptember	4.1 5.9 7.5 3.8 4.9 0.2 1.6 2.9 8.8 7.8 7.8 1.3 3.3 0.0 0.2 2.2	6.4 11.5 8.3 10.0 9.3 2.4 2.2 0.7 4.7 5.3 4.7 3.2 0.6 5.1 5.3 3.1	7.79 8.63 7.94 9.40 10.32 9.62 8.66 5.84 6.50 6.14 4.47 3.96 5.96 5.98 6.89 5.98	8.36 9.46 9.08 8.78 8.92 9.03 8.57 6.75 7.21 7.35 7.10 6.55 6.51 7.30 7.34 7.47 7.08	2.65 2.75 3.69 3.19 3.58 3.21 2.99 3.17 3.10 3.02 3.02 3.06 3.19 3.20	10.5 10.4 7.8 7.1 9.3 7.3 6.7 4.6 8.5 7.7 0.6 0.9 0.9 0.7 -0.7 -0.7 -0.0 0.5	8.4 9.5 9.5 9.3 10.1 8.5 7.7 7.4 5.1 496 0.5 2.5 3.5 0.4 1.5 1.5 2.0	13.25 11.32 11.24 11.49 11.83 13.86 10.22 8.48 10.38 10.52 10.80 9.88 9.01	11.47 10.58 10.54 11.61 11.87 13.20 13.29 11.23 10.58 12.22 11.79 10.57 9.89	1.41 1.94 2.71 2.46 2.84 3.45 3.63 2.35 1.67 1.72 1.84 1.77 1.74 2.24	940 4.7 6.8 5.9 5.3 2.4 4.9 6.4 5.8 5.8 5.8 6.5	15.4 15.2 17.3 17.6 18.1 8.0 5.1 3.5 5.0 7.2 8.3 9.4 10.2 10.0 8.5 8.3	11.02 9.77 10.41 13.99 14.82 11.59 5.57 6.71 6.28 6.06 6.88 6.88 6.81	10.21 9.69 9.62 10.11 11.56 10.09 7.40 8.01 8.16 8.09 7.77 7.72 8.06 6.10 7.92 8.09	43.44.54.45.45
967 989 989 989 981 982 983 984 986 rd qtr.1985 st qtr.1986 st qtr.1986 august 1995 aptember ictober lovember	4.1 5.9 7.5 3.8 4.0 0.2 1.6 2.9 8.8 7.8 7.8 1.3 3.3 0.0 2.2 8.8	6.4 11.5 8.3 2.4 5.4 5.2 0.7 4.7 5.3 4.7 5.3 5.1 5.3 8.1 4.7	7.79 8.63 7.940 10.32 9.62 10.38 8.66 5.84 6.60 6.12 6.14 4.47 3.96 5.98 6.89 5.98 6.89 5.89 5.89	9.46 9.46 9.08 8.79 9.92 9.03 8.57 6.75 7.53 7.35 7.10 6.55 6.51 7.34 7.47 7.06 6.76	2.65 2.75 3.69 2.88 3.19 3.55 3.21 2.99 3.17 3.11 3.25 3.10 3.31 3.31 3.31 3.23	10.5 10.4 7.8 7.1 9.3 7.3 6.7 4.6 8.5 779.6 0.9 -0.7 -1.0	8.4 9.5 9.3 10.1 8.5 7.7 7.4 9.6 0.5 2.1 2.5 0.4 1.6 2.6	13.25 11.32 11.32 12.42 11.96 11.83 10.22 8.48 10.38 10.52 10.60 9.83 10.69 10.69 10.69	11.47 10.54 11.61 11.81 13.29 13.29 11.23 10.58 12.22 11.79 11.59 10.57 11.49 11.94 11.94 11.18	1.41 1.41 2.71 2.84 3.45 3.63 1.67 1.72 1.67 1.74 2.24 1.58 1.51	949 4.7 6.8 5.9 5.3 2.4 4.9 6.4 5.6 5.6 5.6 5.5 6.5	15.4 15.2 17.6 16.1 8.0 5.1 3.5 5.0 7.2 8.3 10.2 10.0 8.5 8.3 9.4	11.02 9.77 10.41 13.99 14.82 11.58 9.74 5.57 6.77 6.87 6.71 6.28 6.83 6.83 6.83 6.73	10.21 9.69 10.11 11.56 10.08 9.09 7.40 8.16 8.09 7.77 7.72 8.08 9.10 7.92 8.08	43.44.54.45.45
987 988 989 990 991 992 983 984 985 rd qtr.1995 st qtr.1996 st qtr.1996 st qtr.1996 sugust 1995 eccember cvember eccember	41 59 75 38 49 02 18 29 88 78 78 13 00 22 88 78 78	6.4 11.5 8.3 10.0 9.3 2.4 2.2 0.7 4.7 3.2 0.8 5.1 4.9 4.7 4.7 4.7 4.7 4.7 4.7 4.7 4.7 4.7 4.7	7.79 8.63 7.940 10.32 9.62 10.38 8.56 5.84 6.50 6.12 6.14 4.47 3.96 5.96 5.90 5.90 5.90	8.36 9.46 9.08 8.79 9.02 9.03 8.57 6.75 7.30 7.35 7.30 6.55 6.51 7.30 7.34 7.47 7.06 8.76 6.44	2.65 2.75 3.69 2.88 3.19 3.55 3.21 2.99 3.17 3.10 3.02 3.03 3.31 3.20 3.20 3.20 3.20 3.20 3.20	10.5 10.4 7.8 9.3 7.3 6.7 4.6 8.5 77.8.6 0.9 -0.7 -1.0	8.4 9.5 9.3 10.1 6.5 7.7 7.4 9.5 0.5 2.1 2.5 3.5 0.4 2.0 2.0 2.8	13.25 11.32 11.24 11.86 11.86 11.86 10.22 8.48 10.52 10.60 9.88 9.01 10.44 10.60 10.60 10.60	11.65 10.58 10.54 11.65 11.65 11.20 13.20 11.22 10.58 12.22 11.59 10.57 9.89 11.67 11.84 11.84 11.84 11.84	1.41 1.94 2.71 2.46 2.84 3.45 3.63 2.35 1.67 1.72 1.84 1.77 1.74 2.24 1.51	\$4.0 4.7 6.8 5.9 5.3 2.4 4.9 6.4 5.6 5.6 5.6 5.5 5.5 5.5 5.5 5.5 5.5	15.4 15.2 17.3 17.6 18.1 8.0 5.1 3.5 5.2 8.3 9.4 10.0 8.5 8.3 9.0 9.8	11.02 9.77 10.41 13.99 14.82 11.58 9.74 5.97 6.77 6.87 6.81 6.88 6.81 6.81 6.83 6.81	10.21 9.69 10.11 11.56 10.08 9.09 7.40 8.01 8.16 8.09 7.77 7.72 8.08 6.10 7.92 8.09 7.46	43.44.54.45.45
967 989 989 990 991 982 983 984 985 rd qtr.1985 st qtr.1985 and qtr.1985 aptember occumber occumber occumber occumber occumber	4.1 5.9 7.5 3.8 4.0 0.2 1.6 2.9 8.8 7.8 7.8 1.3 3.3 0.0 2.2 8.8	6.4 11.5 8.3 2.4 5.4 5.2 0.7 4.7 5.3 4.7 5.3 5.1 5.3 8.1 4.7	7.79 8.63 7.94 9.40 10.32 10.38 8.66 5.84 6.50 6.12 6.14 3.96 5.98 6.99 5.90 5.90 4.70 4.42	8.36 9.46 9.08 8.79 9.03 8.57 6.75 7.35 7.35 7.35 7.30 6.55 6.51 7.30 7.34 7.47 7.06 8.76 6.58	2.85 2.75 3.69 2.88 3.58 3.55 3.21 2.91 3.17 3.11 3.26 3.19 3.31 3.20 3.23 3.23 3.23 3.23	10.5 10.4 7.8 7.1 9.3 7.3 6.7 4.6 8.5 7.7 9.6 0.9 -0.7 -0.0 0.6 0.5 -0.5 -0.5	8.4 9.5 9.3 10.1 6.5 7.7 7.4 5.1 2.1 2.5 2.1 2.5 2.6 2.6 2.6 2.6	13.25 11.32 12.42 11.86 11.85 11.85 10.22 8.48 10.38 10.52 10.60 9.01 10.60 10.60 10.60 10.51 10.60 10.51	11.47 10.58 11.61 11.61 11.81 11.20 13.29 11.23 10.58 12.22 11.79 10.57 9.89 11.67 11.49 11.64 11.84 11.84 11.84 11.87	1.41 1.94 2.71 2.46 2.84 3.45 3.63 2.35 1.67 1.72 1.84 1.74 1.76 1.81 1.74 1.81 1.74 1.81	94.0 4.7 6.8 5.9 5.3 2.4 4.9 6.4 5.8 5.6 6.5 5.5 5.7 5.2 5.7 5.3	15.4 15.2 17.6 16.1 8.0 5.1 3.5 5.0 7.2 8.3 8.4 10.2 10.0 8.5 8.3 9.0 9.4 9.4 9.8	11.02 9.77 10.41 13.99 14.82 11.59 5.57 6.71 6.28 6.06 6.88 6.81 6.73 6.73 6.46	10.21 9.69 9.62 10.11 11.56 10.08 7.40 8.09 7.77 7.72 8.08 8.10 9.09 7.77 7.72 8.08 9.10 7.20 7.76 7.46 7.46	425 44 45 45 45 45 45 45 45 45 45 45 45 45
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Mindanao Christians and Moslems give peace a chance By Edward Luce zone will be based - said uitous gun stores have

recently in Davao City

Mayor Duterte squeezed the trigger and watched the bullet hit its target before turning to acknowledge the applause from the circle of admiring security guards. Armed to the hilt with Colt 45s and super-38s, the Christian mayor and his entourage could have been firing separatist Moslems instead of cardboard silhou-

As self-styled Filipino Christian "frontiersmen", the mayor of Davao City and his followers seemed unlikely supporters of a peace deal with the Philippines' minority Moro community. Yet the deal, which will be signed next week by President Ramos and Mr Nur Misuari, leader of the Philippines' 5m Moslem community, will not succeed without their support.

Mr Duterte, who as mayor of Davao since 1988 is the foremost Christian political figure in the southern Philippines – where the autonomy

local Christians had nothing to fear from the pact with the Moslems. Memories of the war, which has claimed over 100,000 lives since 1972, have, however, left a more hostile imprint among many of the mayor's fellow Chris-

As a populist leader of the Mayor Duterte is entering uncharted territory. His campaign to persuade the city's sceptical Christians to back the autonomy deal has also divided his closest rela-

tives.
"Our fathers and our grandfathers migrated to Mindanao [home to most of the country's Moslems | earlier this century and have been fighting Moslems ever since," he said. "Fighting is a way of life here. But as mayor of the largest city in Mindanao it is my responsibility to help the people for-get the bitterness of the past and work towards a future where we can all prosper." In Mindanao, where ubiq-

reported a doubling of arms sales since an "interim" deal was signed in June, Mayor Duterte's words cannot be written off as standard political platitudes. As a one-time opponent of

talks with the Moslems and as leader of a city which is 90 per cent Christian, the island's largest city, with a mayor is taking a sizeable population of about 1.5m, political risk. Despite the fact that the

"interim" autonomy council will have no legislative or police powers, many of the island's 10m Christians believe the deal will transfer substantial powers to their For the first time, however erstwhile Moslem enemies. Old-style Christian vigilante groups, which operated with impunity on defenceless Moslem villagers in the 1970s during the height of

the fighting, are ent." re-grouping. The Moslem community is

mother was burned alive in her house by troops loval to the former dictator, President Ferdinand Marcos, in 1981, typifies the mainstream Moro sentiment: "All of us have suffered. We do not want to continue to live in an atmosphere where we are continually harassed by the army for being Moslem. Others, notably the Abu

Sayyaf, a terrorist Moslem group which destroyed the town of Ipil, killing 50 Christians, in an unprecedented daytime raid last year, are as irredentist as some of their hardline Christian opposites. mainstream leaders of both communities are more committed to each other than their extremist wings.

"I have a great deal of National Liberation Front generals," said Mr Duterte "They are good fighters and hoping President Ramos and they stand by their princi-Mayor Duterte are sincere in ples. Now, at last, we can their pledge to defend the agree on one principle: it's impending peace deal. Mr time to work together instead of slaughtering each other."

Release of tankan survey of business confidence brought forward

Tokyo awaits business data

By Emiko Terazono in Tokyo

When the Bank of Japan announced last month its intentions of bringing forward the release of its August tankan - the quarterly survey of business confidence - Tokyo's financial markets were divided over how to interpret its move.

There were initial fears that the announcement bringing forward the release by a week to August 28 hurry to raise interest rates. a worry which has dissipated because of increasing doubts over the strength of the economic recovery.

Others argued that it was a part of the bank's new strategy to try to shorten the period between the compilation of the data and its release, especially after an embarrassing incident in June when the details of the importance of market reac-May quarterly survey were tion to economic data.

leaked before the official announcement.

In the past, the Bank of Japan had taken about three weeks to put together the tankan, an abbreviation of Japanese for the short-term economy survey of enterprises, which is regarded as influential in monetary pol-

The bank will also change the time of the announcement from 2:00 in the afternoon to 11:00 in the morning. meant the bank was in a allowing the financial markets to respond. The report will be broken into two parts with only the headline numbers released on the 28th and the details published the day

> The official explanation for the changes is that the bank has responded to users' wishes, and economists next year's consumption the, agree the move reflects a says Mr Michael Hartnett, belated recognition of the

"There is a sense that the policymakers has been that bank has started to become more aware of the importance of the financial markets' response," says Mr over the next few months. Yasushi Okuda, economist at brokers BZW.

Bank of Japan officials

will no longer give immediate analysis and comment. Adjustments to the official discount rate have often been made immediately before or after the release of a tankan report, but economists do not expect this to

happen this week. Although various economic data released recently to raise interest rates. have confirmed a steady recovery, the consensus is that a rise in interest rates is highly unlikely amid diminishing effects of fiscal .--mulus and ahead of a ris. i

Tokyo.

economist at Merill Lynch in The main concern for

the effects of Y14,000bn ing in the last year will fade Although wages and salaries have bottomed, private consumption is sluggish, with consumption indicators weakening after a strong

January to March quarter. The prolonged weakness of the country's financial system and the banks' disposal of bad loans from their balance sheets are also cited as reasons that the central bank will not be in a hurry

The diffusion index, which indicates sentiment on the business outlook among manufacturing companies, is expected to show further improvement thanks to record low interest rates and the weakening of the yen, and could move into positive territory for the first time

New York state's insurance regulator said yesterday it was poised to take action, if sary, to freeze Lloyd's of London's assets in the US, adding to pressure on the insurance market as it battles to complete a £3.2bn (\$4.96bn) financial restructuring this week.

Lloyd's today appeals
against a damaging ruling by a US federal court in Virginia on Friday. Lloyd's is trying to overturn an injunction which put the market's

morning: Sequence, the Lon-

don Stock Exchange's

enhanced share trading plat-

form, has reached the mar-

However, today's change is small compared with what

is yet to come. The platform

is designed to be flexible and

powerful enough to allow

trading in the future.

entirely new methods of

ket in fully-fledged form.

flickers on to

a new screen

The London Stock Exchange

has high hopes for Sequence

omething different will for handing over share set-

appear on the desk tlement to the Crest system.

screens of many share "Over the period of

brokers and dealers this Sequence, we have reduced

plan - and Lloyd's survival - into jeopardy.

A spokesman for New York state's insurance commissioner, Mr Edward Muhl, said yesterday that the regulators had not taken any action which would affect the \$12bn held in Lloyd's trust funds at Citibank in New York to support US underwriting.

However, the spokesman said the commission's lawyers were weighing up whether any action was necssary following last week's

A deadline of noon tomor-Share trading

 individuals whose assets have traditionally supported Lloyd's - to accept the £3.2bn out-of-court settlement offer proposed by Lloyd's. Outstanding US liabilities would also be trans-ferred into a new reinsur-

New York state, which has primary responsibility for the US trust funds, must decide by September 1
whether or not to allow the money to be used to back Lloyd's recovery plan. However Judge Robert Payne in Richmond, Vir-

ginia, told Lloyd's that it

ance company, Equitas.

rities laws, give more infor-mation about the plan to US Names by September 23, and allow US Names until the end of October to decide whether or not to accept the

"We haven't reached a decision yet - we're trying basically to understand what this means in terms of the Equitas project," the spokesman said. Whether New York would allow the trust funds to be transferred to Equitas "will depend on the DTI, and any decisions of courts here", the spokesman

Lloyd's ruling council

could declare the £8.2bn offer "unconditional" shortly thereafter. There is no set level of acceptances required. Instead Lloyd's needs to be sure if enough litigating Names have

accepted and that there are sufficient funds for Equitas. But if Lloyd's fails to win today's appeal it might have to make hurried provision to exclude US Names, perhaps borrowing to cover their liabilities. In the longer term. Judge Payne's insistence on Lloyd's complying with US securities laws could result in Lloyd's excluding US

service at the same time as introducing a number of new applications," said Ms Dann. Today's change will mean

that "trade reporting" of deals – under which member firms have to report deals within set times to the exchange - will be carried out through screens rather than over the telephone.

"Over the period of

our costs and improved our

Sequence also represents Sequence will introduce more radical change in the something unique in the exchange's recent history -Alternative Investment Mar-: an information technology ket for smaller companies, project delivered on time, and in the Stock Exchange and under budget. It con-Alternative Trading Service trasts sharply with the flasco of the failed Taurus for illiquid stocks, where actual methods of trading shares will be affected.

share settlement system.
This is a roller for This is a relief for Ms Although member firms trading of shares by fully simply. By introducing a has largely paid for developautomated means for the first time. Members will be able to

place orders on screens without having to telephone the exchange. They will also be able to execute a trade by pointing at a bid or offer on the screen with a computer mouse and clicking on it.

These changes are a taste of what is likely to come from next year when the exchange brings in broad trading reforms for large company shares. It will introduce an order-driven

fresh software application, the exchange will be able to allow automated trading in a

range of domestic shares. The exchange has worked with Andersen Consulting to introduce the technology platform and the programme has cost £81m (\$126m), compared with the budgeted cost

of about £86m. The exchange has also lessened costs by reducing staff and eliminating the inefficiency of its former trading platform - the exchange relied on about 60

ing Sequence.
Both Reuters and ICV

have developed workstations to bring Sequence to smaller firms. The ICV terminals, known as Topic 3 Trader, will be the most visible evidence of the change in the 110 firms where they have been installed. ICV has spent about £1m on developm

The upshot is that although Sequence 6 - as the final stage in the implementation is known - will not be an earth-shattering change today, the exchange

UK NEWS DIGEST

Treasury

may turn

to home

comforts

operty Correspondent

A substantial part of the

Treasury headquarters in central London could be

turned into luxury flats

under proposals being con-

Two consortia vying for

the right to refurbish the building have each suggested that converting

the space gained in the rear

portion into flats would pro-

vide the best value for

noney for the public sector. The £200m (\$310m) project

is regarded by Mr Kenneth

Clarke, the chancellor of the exchequer, as a flagship of

the government's private

finance initiative, which

aims to bring private capital

into public sector projects.

The rival consortia are led

by Mr Stuart Lipton and Mr

Godfrey Bradman, former

development partners and two of the most high-profile

figures of the 1980s property

Mr Lipton's consortium -

which includes Bovis, the

construction company,

Hambros merchant bank

and Sir Norman Foster, the

architect - has emerged as

favourite to win the con-

against the background of

rising residential property

values in central London,

driven by an influx of

Kong, Singapore and Malay-

sia – and subdued demand

A number of other former office blocks have recently

been converted into flats,

including parts of County

Hall on the south bank of

the Thames opposite the

The Treasury is expected

to make a decision on the

proposals over the next two

Houses of Parliament

investment from overseas particularly from Hong

for office space.

proposals come

tract.

The

sidered by the government

Biotech options to be increased

UK biotechnology companies are preparing to offer millions of pounds worth of extra share options to new recruits following a change of heart by the Association of British Insurers. The ABI, which represents many of the investors in the sector, has agreed that biotech companies can in principle breach its guidelines on how many options can be awarded to executives.

Biotech companies have complained that they need to offer more money to recruit high flyers from international pharmaceuticals companies, but do not have the cash until their products are launched. The ABI said that other companies that could show a similar need might also be

First fruits of the changes are in proposals to be put to the annual meeting of British Biotech, the biggest UK company in the sector, on September 18.

The company proposes to scrap its existing executive share options scheme and replace it with one that effec-tively has no ceiling on the share options that can be

Mr James Noble, British Biotech's finance director, said that it was quite possible for new recruits at the top level to be offered more than £1m (\$1.55m) in share options as an inducement to join the company.

The ABI guidelines limit the value of options held by an executive to four times' salary. They also cap the amount of options on offer to 5 per cent of a company's issued Daniel Green

Lex. Page 12

CONSTRUCTION EQUIPMENT

Sales set for '5.2% fall'

Sales of construction equipment in Britain are due to fall more quickly next year than in other west European countries, despite strong growth since the early 1990s recession, according to Off-Highway Research, a London

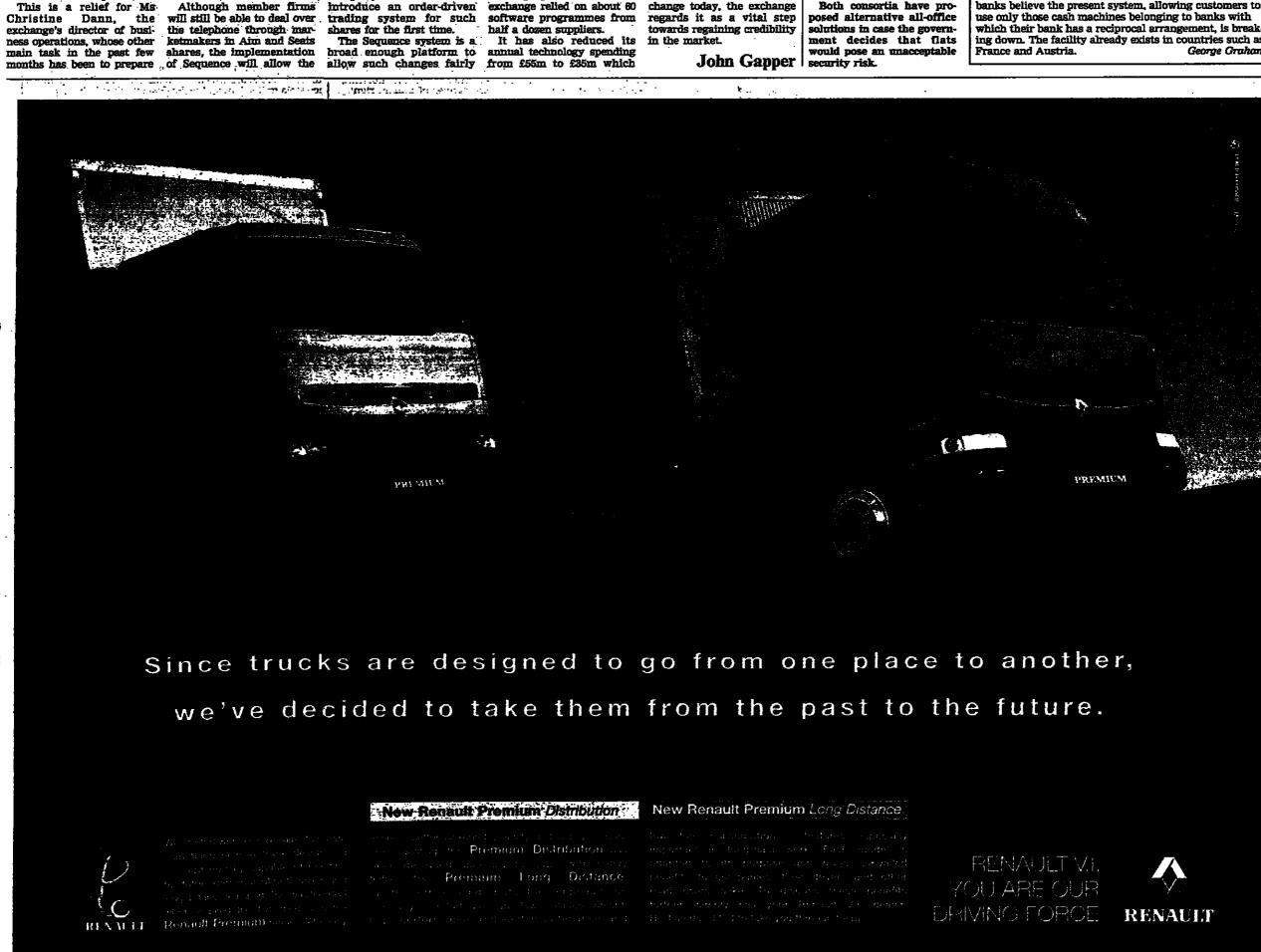
The projected drop of 5.2 per cent in unit terms is linked particularly to the slow-down in road building. Sales of construction equipment in the UK are estimated at about £1.7bn (\$2.63bn) a year, including spares. Total output, including exports, by UK-based construction machinery companies is valued at about £2.3bn a year at retail

According to Off-Highway Research, sales of construction equipment next year across western Europe should come to 92,966 units, barely changed on the 93,369 in 1995. The market in France is expected to decline 4.6 per cent in units in 1997, the biggest slide after Britain. Spain is forecast to see an increase in sales of 13.7 per cent. Italy a 1 per cent rise while the market in Germany is expected

■ CASH MACHINES

Single national network likely

British bank customers could soon be able to use their plastic cards to withdraw money from any of the UK's 22,000 cash machines. Many of the country's biggest banks believe the present system, allowing customers to use only those cash machines belonging to banks with which their bank has a reciprocal arrangement, is breaking down. The facility already exists in countries such as



could find themselves being issued with an unusual type of traffic ticket. Instead of using a notebook and pen to write out a form, some police officers are now using a pen-based computer to produce an electronically generated traffic ticket. Back at the station. data from the pen computer can be transferred to the police computer database.

This is just one example of how pen-based computers are being used today. The retail, distribution, transportation, insurance, financial services, manufacturing and mobile field service sectors are also using them. But at one stage, pen-based technology was in danger of being discarded.

When the first pen-based computers arrived in the late 1980s, many thought they would replace the keyboards and mice used to operate most computers. Supporters of pen computers talked of "the pen being mightier than the keyboard".

But the reality proved differ ent: "Pen computing caught everyone's imagination," says Howard Scabrook, marketing prograin manager for Toshiba UK. "hut there was a mis-match between what the technology could deliver and what customers expected in terms of cost and functionality."

Companies that have launched pen-based devices include Amstrad, Casio, IBM, Sharp, Symbol, Norand. Hewlett-Packard and Fujitsu. Microsoft has also developed an extension to its Windows operating system for pen-based computing.

But some, such as Toshiba, have pulled out of pen-computing in western markets because of disappointing sales. Many admit that the aim to replace the keyboard with computers which could recognise handwriting was too ambitious.

Handwriting recognition software is difficult to develop and requires a great deal of processing power. Most current systems offer an accuracy rate of only 50-60 per cent.

"The pen computer market was moving along nicely until companies started pushing handwriting recognition," says Ken Dulanei, vice-president of mobile computing at the Gartner Group, "That ove set the market back years." Handwriting recognition software was often slow, clumsy and frustrating to use. The result was that many pen-based computers were consigned to desk drawers and then forgotten.

But now, pen-based computer

After a slow start, pen-based computers are finding a useful role in many areas, explains George Cole

Rewritten for a happier ending



Some pen-based computers are small enough to fit into a shirt pocket, while others are the size of an A4 pad

their products: "Pen computers were initially aimed at horizontal markets [for general use and many applications) and tried to be all things to all people." says Diana Hwang, senior industry analyst at market researchers IDC, "but it's in the vertical [specific application] markets where pen computers have come into their own."

Apple Computer's pen-based device, the Newton MessagePad. was launched in 1993, but sales were poor until the company began targeting users such as corporate executives, sales staff and consultants, who perform much of their work away from the office.

"Apple didn't understand the market," says Dulanel, "if they'd gone for vertical markets from day one, they could have sold the Newton at twice the price and enjoyed far healthier sales."

There are many types of penbased computers. Some are small enough to fit into a shirt pocket, while others are the size of an A4 pad. Their weight varies from

Most cost anything from \$450 same basic technology, namely a flat screen that is covered with a pressure-sensitive membrane. Smart software and a powerful processor convert any screen contact into computer commands. The pen may be an electronic device or a simple plastic stylus, which is used for pointing

Sales of pen tablets and pen notepads are expected to rise from 67,000 units to 119,000 units

to on-screen icons or menus. Some pen computers can even be operated with a finger. IDC defines two main groups of en-based computers:

• The first includes hand-held companions, such as PDAs (personal digital assistants), and personal companions, such as US

tion facilities, such as fax, e-mail, (£290) to \$3,000. But all share the Internet, personal organiser, calendar and address book. Personal companions allow users to download files and data from their desktop PC and carry them around in a small portable device. Data can also be entered out in the field and later trans-

ferred to office computer. The second refers to vertical application devices, which include pen tablets and pen notepads. These are purpose-built for specific sectors and are often more rugged than PDAs. Some also have improved screen technology which works over a wide range of temperatures.

A growing number of vertical application devices have facilities for sending or receiving data via a telephone modem or wireless mobile data system. Some can even communicate with portable printers using infra-red technology, allowing users to produce hard copy documents in the field, for example, receipts or invoices.

IDC forecasts that the US mar-Robotic's Pilot. PDAs offer a vari- ket for PDAs and personal comcompanies have repositioned about 600g to more than 1kg. ety of computer and communica- panions will rise from 208,000

units in 1996 to 1.4m units in 2000. In the same period, sales of pen tablets and pen notepads are expected to rise from 67,000 units to 119,000 units.

"The market for pen-based computers in vertical markets is growing," says Hwang, "but to put it into perspective, sales of keypad devices in the same markets will be around 356,000 units this year, and 552,000 units in four years' time. So pen-based computers are definitely niche

products." In Japan, pen computers are popular, largely because the vast number of Japanese characters makes keyboards difficult to use. Sharp has sold more than 900,000 units of its Zaurus PDA in Japan, since it was launched in October 1993. Sharp expects to sell around 670,000 units this fiscal year. Other companies marketing pen computers in Japan include Casio, Hitachi, NEC. Toshiba and Mitsubishi. Sales staff, police officers, manufacturers and nurses are just some of the groups using pen computers in Japan.

Reg Koster, business develop-ment manager for Norand International, says that pen computers offer a number of advantages: They are ideal for workers who have to enter or collect data in the field, and require little in the way of training. Some pen computers can be linked to numeric keypads for fast data input. But you're not looking for heavy text input with these devices."

The City of London motorcycle police officers are using Norand's Pen*Key to issue parking tickets. Pepsico and Coca-Cola have also ordered thousands of Pen*Key computers for route accounting. Truck drivers will use the pen computers to record details of their deliveries.

Some warehouse staff are using pen computers as electronic clipboards for stock taking. Sales staff of the Californian company FD Titus use pen computers for medical product ordering. Clients are shown the products on the computer screen and their orders are entered by computer pen and sent back to head office for instant processing.

In Minneapolis, repair techni-cians of the cable TV company Paragon use pen computers to order spare parts and record work details. The technicians also use the computer to show customers the company's latest promotional offers and to record any new subscriptions.

Little wonder that Tony Palmer, European operations director of marketing at Norand International believes that "penbased computers have become highly effective tools for speeding up business-specific processes".

Madness of too many methods

Geoff Nairn on a European standard for procuring software

he European Commission's zeal for standardisation has reached the software industry with the release this month of Euromethod, a pan-European standard for procuring computer systems, which the EC hopes will improve

competitiveness in Europe's fragmented software market. Euromethod started in 1989 as an attempt to overcome the problems caused by the ncompatible system

development "methods" used in different European countries. A method defines the procedural and technical standards to be used in developing an information system. It provides a framework for developing and nanaging large complex information systems, thus reducing the risks.

Methods are not foolproof, as the London Stock Exchange found out with Taurus, a paperless settlement system vhich was plagued with delays and finally abandoned in 1993 at a cost of more than £50m. Taurus was supposedly leveloped using the Structured Systems Analysis and Design Method, but many SSADM guidelines were not followed. according to the auditors'

eport on Taurus. Used properly, methods can reduce misunderstandings between contractor and customer by explicitly defining responsibilities and setting milestones. SSADM was originally developed as a standard for public sector projects in the UK, although it is now also used in the private

Similarly, Italy's state-owned computer services company Finsiel developed Dafne, which ecame a standard for Italian public sector contracts. France. Germany, the Netherlands and Spain also have their own

Each one is often widely used in that particular country but unheard of elsewhere. This creates a formidable barrier to companies that want to bid for work outside their domestic market. It also hampers

co-operation in the EU-wide projects which the EC is promoting to increase competitiveness in information dinn

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The main problem is understanding the precise meaning of concepts and terminologies used in the different methods. For example, is the "preliminary study" of one method equivalent to the requirements analysis" of

another? Also, the vocabularies used are typically derived from software engineering and can be difficult to understand by non-specialists.

Euromethod aims to overcome these hurdles - not by replacing the national methods but by creating a common procurement language to harmonise them. It acts as a sort of Esperanto for computer contracts whose terms and concepts can be understood correctly using any of Europe's six most popular development methods, thanks to a series of dictionaries.

"A lot of people have misunderstood Euromethod. It is not a new software development method, but a way of managing procurement by allowing calls for tender to be expressed in a way that is totally independent of method," says Marcel Franckson, Euromethod project director. Contractors will continue to use their preferred method for the nuts-and-bolts development

Euromethod was developed by a consortium of 10 European companies and trials were carried out in 1995 in 10 sites. The feedback from these trials was used to improve the method. For example, the unwieldy 700 pages of original documentation has been cut to 200, while the method now covers the specification of "help desk" and other support services essential to today's

complex FT projects. The EC officially accepted the improved version of Euromethod this month and the challenge now is to promote the standard more widely.

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IN BRIEF

Rabobank posts 21% increase

Rabobank, the Dutch co-operative bank, reported a 21.5 per cent increase in first-half net profit to FI 853m (\$511.6m) from FI 702m a year ago, but warned that this rate of growth would be unsustainable for the full year. The result was powered by higher lending, commission income and funds under management. New mortgage loans rose about 50 per cent. Page 15

Nikkel index fells below 21,000 Share dealing activity in



Tokyo eased ahead of Wednesday's release of the Bank of Japan's tankan, or business confidence survey. The Nikket 225 index fell below 21,000 for the first time in six sessions, shedding 345.06, or 1.6 per cent, to 20,883.74. Investors were also cautious ahead of Thursday's announce-

ment of the public offering price for West Japan Railway. Page 26

Foster's edges ahead to A\$293m Foster's Brewing, the Australian drinks group. reported a 2 per cent increase in after-tax profits to A\$293.3m (US\$232.5m) for the year to June 30. The rise was achieved on sales of A\$2.54bn, down from A\$4.87bn in 1994-95 following the sale of Courage, the UK brewer, to Scottish & Newcastle. Page 14

Complete slides in first half

Shares in Comalco, the Australian integrated aluminium producer controlled by the RTZ-CRA mining group, tumbled almost 5 per cent to A\$7.10 after it announced a plunge in after-tax operating profits to A\$43.9m (US\$34.7m) from A\$155.1m in the half-year to end-June. Page 14

Spanish stores chain slips after buy Annual net profits at El Corte Inglés, the privately-owned Spanish department store chain, fell just under 8 per cent to Pta30.98bn (\$246m) after its takeover of its main rival, Galerias Preciados. However, the purchase enabled it to increase group sales 7.6 per cent to Pta1.098bn. Page 15

N American gold miners on treadmill North America's big gold mining groups have to keep running ever faster just to stand still. Their problem is that the market values their shares mainly by looking at the mineable gold they have in the ground. One obvious way for a gold group to lift reserves is via takeovers or mergers such as the C\$1bn (US\$730m) bid which closes today - by Barrick Gold for Arequipa. Page 16

Receivers at Chamberlain Phipps have blamed most of the UK footwear group's downfall on its aggressive international expansion. Page 17

Bass deal may spark licence review Bass may face a review of the licensing deal to make and distribute Castlemaine XXXX. the Australian lager, if its proposed acquisition of Carlsberg-Tetley, the rival brewing joint venture, goes through. Page 17

17 Hilton Hotels Corp

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Conseco in \$2bn spending spree

By John Authers in New York

Conseco, the acquisitive US life insurer, yesterday announced four acquisitions totalling \$2.04bn which will make it the largest supplier in the fast growing US long-term care insurance market insurance companies since

Mr Stephen Hilbert Conseco's chairman, said the group's strategy was to focus on the over-55 age group, because "that's where all the most exciting demographics are".

tal Europe this year. But as

the autumn results season approaches there are hopes

that corporate managements

will be able to report signs

For much of the year there has been evidence of a two-

speed economy. The manufac-

turing sector has struggled in

the face of a surplus of stocks.

while consumer spending has

recovered thanks to lower

taxes, interest rates and con-

tinued falls in un employment.

Consumer stocks have easily

outperformed shares in indus-

Analysts have spent the year

revising down their profits

forecasts for industrial groups.

According to Mr Steve Wright,

UK equity strategist at Bar-

clays de Zoete Wedd: "A year

ago. We were expecting earn-

ings growth in 1996 among

general manufacturers to be 16

per cent, now we are only

expecting 2 per cent."
For the moment, official data

suggest the dichotomy is con-

thuing. Industrial production

dropped by 1.1 per cent in

June, its biggest monthly fall

since November 1992. Manufac-

turing output is technically in

recession, having stagnated in

the second quarter, following

falls in the two preceding

But as Mr Kevin Darlington.

UK economist at ABN-Amro Hoare Govett, argues: "By the time the official data say that

manufacturing output has

turned up, it will be an old

Survey evidence is more encouraging. The CBI quar-

terly survey in July showed a

recovery in export demand and

output in the second quarter

and the first rise in confidence

three-month periods.

story for the market."

since spring 1995.

trial groups since mid-1995.

that the tide is turning.

American Financial, which specialise in health insurance products, for the elderly, as well as purchasing outstand-It has now bought 25 life ing shares in two life insurers, insurance companies since American life and Bankers

ucts for pensioners.

held large stakes. American Travellers, which will be bought for \$793m in Conseco common stock, is the largest acquisition It concentrates on long-term care insur-The acquisitions confirm a ance, which accounts for 90 trand towards consolidation in per cept of its premium

Life, in which Conseco already

the US life industry, as compe-tition has increased in prodincome, placing it second in ers Life has interests in both the US market after Amex retirement annuities and a Life, a subsidiary of GE Capi-Conseco has bought American Travellers and Capitol tal

Conseco is paying \$650m cash for Capitol American, which specialises in cancer insurance and other products designed to supplement the state-funded Medicare health insurance scheme.

The company intends to acquire outstanding shares in American Life, a retirement annuities provider in which it already holds a 38 per cent stake, for \$165m cash. It will also buy the remaining near 10 per cent of Bankers Life for \$117m in common stock. Bank-

of consumer growth

E conomic growth has been struggish in the UK Seeking the slipstream

most optimistic about future by the Office for National Sta-output growth than at any tistics on Friday showed that

range of insurance products for the elderly.

The company will issue \$300m in tax-deductible preference shares, and will borrow \$1.9bn to finance the transactions, all of which it hopes to complete by the end of this

After the acquisitions, Conseco will be left with barrowings of \$1.9bn, giving it a debtto-equity ratio of 35 per cent. The company said it would continue to look for fresh acquisitions, but would not allow its debt ratio to increase

the Bundesbank triggered rate reductions across Europe and

helped the UK stock market to

reach all-time closing and

Stocks with substantial links

to Germany, including build-

intra-day highs.

from the news.

Mr Hilbert predicted the company could make savings of up to \$32m per year by consolidating data processing and investment management, and that earnings per fully diluted ahead of analysts' forecasts which range from \$4,25 to

He said the company would compete directly with other diversified financial services groups for the elderly market. and added: "I would like you to remember that beneath the traditional exterior there beats the heart of a tiger."

Conseco's shares rose \$214 to

group. Mr Wilhelm Simson, chief executive of SKW Trostberg, the Viag subsidiary making the purchase, said the acquisition may be financed partly by

property sales. The company raised DM911m last year through the flotation of a minority stake but further funds would not

Analysts welcomed the deal even though Mr Georg Ober-meier, chief executive of Viag which holds 51 per cent of SKW Trostberg, had suggested last month that Viag would not pay more than DM1.4bn.

close at DM557.95 while SKW Trostberg shares rose DM1.35,

SKW Trostberg is believed to have beaten up to four rivals. It became clear that MBT was for sale following the March merger of Sandox and Ciba-Geigy, another Swiss

expanding aggressively over the past 18 months. It has said that it needs to build up the construction chemicals business, one of its three divisions, to be able to compete internationally.

said the SFr1.3bn (\$1.08bn) received by Sandoz was more gist at HSBC James Capel, is than the market had been

> deal had been executed was another sign that the refocusing of the group, ahead of its merger with Ciba into Sandoz's sale of MBT, which includes the repayment of SFr200m of debt, is its second

cals business, in a SFr1.54bn initial public offering.

ing materials groups Redland and RMC and the chemicals giant ICI, got a substantial lift In short, the sluggish growth which has characterised the goods that consumers want.

Industry is in the slow lane of a two-speed UK economy, writes Philip Coggan first half of the year could be about to come to an end. According to Mr Darlington: "The economy has been growing at a below-trend rate, but the world and his wife expect it to accelerate in the second half."

Strategists will be searching for indications in the results season that the corporate sector is sensing the upturn. That will probably not come from the results of the manufacturing companies themselves, but perhaps it will come in the trading statements. Mr Darlington is not even that optimistic arguing that "chairman's statements will be cautious because they have had a difficult six months. But we will be looking after the results to see whether analysts are upgrading or downgrading | chemicals group.

The manufacturing sector apart, the results season is expected to show some healthy profits increases. Overall the nonfinancial sector is expected by BZW to show earnings growth of 8 per cent this year and 13 per cent in 1997. Mr Mark Tinker, UK strate-

ven more optimistic in the short term, looking for 13 per cent growth this year and 10 per cent next. He argues that UK corporate management is coping with the low growth in ominal demand by showing the ability to cut its costs and this is leading to robust levels of profits growth. An eventual recovery in

anufacturing seems inevitable. Signs of a pick-up in consumer spending are widesuread, from the revival of the housing market to the petright and DFS Furniture. Someone has to make the

Viag pays DM1.6bn for Sandoz business

Bonn and William Hall in

Viag, the German conglom erate, is creating the world's largest construction chemicals business through the DM1.6bn (\$1.1bn) acquisition of Master Builders Technologies from Sandoz, the Swiss chemicals

be raised before 1997.

Viag shares fell DM3.05 to

or 3.5 per cent, to close at DM39.40.

SKW Trostberg has been

Mr Simon Marshall-Lockyer of NatWest Markets in Zurich

The speed with which the

big disposal in little more than a year. In July 1995 it floated off Clariant, its speciality chemi-

The deal, which included the assumption of SFr737m of debt by Clariant, resulted in a pre-tax profit of SFr460m.

stock overhang may be larger-than-expected 30 basis unwinding. Figures published point cut in the repo rate by Manufacturers were the Gencor concedes defeat in planned platinum merger

output growth than at any

The two most recent surveys

from the Chartered Institute of

Purchasing and Supply, known

as the purchasting managers'

index, both showed readings of

more than 50, indicating rising

And there are signs that the

15

Gencor, the South African mining and natural resources group, has been forced to accept there is no prospect of being able to complete the planned merger between its Impala platinum interests and those of UK-based Lonrho. This was stated yesterday by Mr Brian Gilbertson, the chairman of Gencor, when announcing a 47 per cent increase in net attributable income before exceptional items for the year to June 30. A deal with Lourho would have created the world's second largest platinum pro-

"The decision of the European Commission to block the proposed merger of impals and Lonrho platinum division.

African competition authorities and overwhelming support from both shareholder bodies, came as a great disappoint-

ment," he said.
"Although Impala is appealing against this decision to the European Court, I fear the oppportunity to create sub-stantial shareholder value in a short space of time has been lost for both parties. From our perspective I am afraid we have to write it off."

The failed merger contrasted with an otherwise strong per-formance by Gencor, which in six yéars has transformed itself from a company involved primarily in South African deep-level gold production to a diversified international min-

including exceptional gains of R309m from the sale of some gold mining interests.

manufacturers' stocks dropped

by £318m in the second quar-

ter, more than offsetting the

£284m rise in the first three

The outlook also seems to be

improving in continental

Europe, the UK's largest

export market. Thursday's

months of the year.

"The strong improvement is not an illusion arising from the recent weakness of the Mr Gilberston. "With the exception of coal sales to the domestic market, almost all the sales by Gencor companies are priced in dollars." In that currency, Gencor's attribut-able income rose 37 per cent to

Aluminium was again the largest earnings contributor. Gold and platinum contributed less than 10 per cent.
A final dividend of 18 cents

raises the total 25 per cent to 25 cents. The results were prepared for the first time on a

Hotel group close to alliance

Attributable income rose 80

Ladbroke, the UK betting ton international hotels business, is expected to announce in marketing and loyalty pro-grammes with Hilton Hotels Corporation of the US.

However, a deal to reunite the Hilton chain via a joint venture or the sale of Ladbroke's business is thought highly unlikely. Ladbroke acquired Hilton International in 1987 for £646m (\$1bn) and has the rights to the Hilton name outside the US.

Ladbroke has been playing hard to get because if it cedes control over Hilton International, the rump of betting ties. Ladbroke wants to expand possible takeover.

become extremely vulnerable to takeover," said one analyst. The group is expected on company which owns the Hil- Thursday to report half-year pre-tax profits up from £56.5m to £62m-£70m due to better this week a strategic alliance results in betting and growth at Hilton International.

The talks between Mr Peter George, chief executive of Ladbroke, and Mr Stephen Bollenbach, who left Disney to become chief executive of HHC in February, have been going on for six months. They cover collaboration in marketing, reservations, logos and loyalty programmes, as well as the broader issue of a merger or

be discussing gaming activi-

HHC is looking for gaming expansion outside the US. Mr Bollenbach, who has a reputation as a dealmaker. Analysts are divided about

the likely impact on the Ladbroke shares of a failure to merge Hilton. However, Mr Simon Johnson, leisure analyst at BZW, the investment bank, said the benefits of a co-operation agreement falling short of a merger should not be underestimated. He believes each company would make savings of \$35m by uniting their sales offices, brochure printing, loyalty card schemes and marketing, operations. Ladbroke's shares have riser

takeover. Ladbroke's shares have risen.
The two are also thought to 60 per cent since November mainly on speculation over a

The second secon

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charge was replaced by a

\$1.7m expense, while the def-

icit on corporate and other

investments fell to A\$23.2m from A\$52.9m. However, there were no earnings from

Courage, compared with last

time's A\$207.6m.
Mr Ted Kunkel, chief exec-utive, said "some progress"

opportunities in India and

Victum. He also dismissed speculation of a possible tie-up with Holland's Hein-

eken, saying it was "disrup-tive internally – it's not on

the group said it was reviewing its civil suit against Mr John Elliott, the

businessman who ran the

group when it was known as Elders IXL in the late-1980s,

However, he was more

optimistic about the pros-

Asibn alumina refinery. He

said that a feasibility study

into the proposed facility

was still under way, but that he floped a decision could be

made in "weeks rather than

"Location is very impor-tant," he added, revealing

that the company is already

in higotiations with the Queensland state govern-

Mr^S Palmer said that a number of sites in Malaysia

were still being considered -

as "clearly the best alterna-tive" within Asia – but that

the main problem here can-

tred on securing sufficient

gas supplies "at the right

The refinery would utilise

Comalico's large bauxite deposits in far north Queens-land, and initially produce

sort of price".

months".

pects for the much-flagged

Golden Hope Plantations Berhad

(Incorporated in Malaysia) **Golden Hope**

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of the Company will be held at the Pacific Ballroom, Pan Pacific Hotel, Jalan Putra, 50746 Kuala Lumpur, Malaysia, on Wednesday, 18th September, 1996, at 11,30 a.m. for the following purposes:-

ORDINARY BUSINESS

- 1. To receive and adopt the Report of the Directors, the Audited Accounts for the year ended 30th June, 1996, and the Report of the Auditors thereon.
- 2. To declare a final dividend for the financial year ended 30th June. 1996. 3. To approve the Directors' fees for the financial year ended
- 4. To re-elect the following Directors pursuant to the
- Company's Articles of Association (i) Encik Zain Azahari bin Zainal Abidin
- (ii) Dr. Ng Chong Kin (iii) Encik Abd, Wahab bin Maskan
- 5. To consider and, if thought fit, pass the following resolution as a resolution pursuant to Section 129(6) of the Companies Act, 1965: That pursuant to Section 129(6) of the Companies Act,
- 1965, Tun Ismail bin Mohamed Ali be re-appointed Director of the Company to hold office until the conclusion of the next Annual General Meeting. To consider and, if thought fit, pass the following resolution as a resolution pursuant to Section 129(6) of the
 - "That pursuant to Section 129(6) of the Companies Act, 1965, Encik Howe Yoon Chong be re-appointed Director of the Company to hold office until the conclusion of the next Annual General Meeting."
- 7. To re-appoint Messrs. Ernst & Young as the Company's auditors and to authorise the Directors to fix their
- 8. To transact any other ordinary business of the Company of which due notice has been received.

Companies Act, 1965:

NOTICE IS ALSO HEREBY GIVEN that the Transfer Books of the Company will be closed at 5.00 p.m. on 29th October, 1996 for the entitlement of dividend and will remain closed for the preparation of dividend warrants until 5.00 p.m. on 1st November, 1996. The dividend, if approved, will be paid on 4th November, 1996 to shareholders whose duly completed transfers are received by the Company's Registrar, Golden Hope Plantations Berhad, 14th Floor, Menara PNB, No. 201-A, Jalan Tun Razak, 50400 Kuala Lumpur at the close of business at 5.00 p.m. on 29th October, 1996.

FURTHER NOTICE IS HEREBY GIVEN that the Malaysian Central Depository Sdn. Bhd. shall not be accepting any request for deposit and/or withdrawal of shares tencing 12.31 p.m. on 25th October, 1996 until 12.30 p.m. on 29th October, 1996. A Depositor shall qualify for entitlement to the dividend only in respect of:

- (a) Shares deposited into the Depositor's Securities Account on or before 12.30 p.m. on
- (b) Shares not withdrawn from the Depositor's Securities Account as at 12.30 p.m. on 25th October, 1996. (c) Shares transferred to the Depositor's Securities Account on or before 12.30 p.m. on
- 29th October, 1996. (d) Shares bought on the Kuala Lumpur Stock Exchange on or before 22nd October, 1996.
- By Order of the Board

NORLIN BINTI ABDUL SAMAD Secretary

Knala Lumpur 27th August, 1996

Ordinary Resolution 1

Ordinary Resolution 2

Ordinary Resolution 3

Ordinary Resolution 4

Ordinary Resolution 5

Ordinary Resolution 6

Ordinary Resolution 7

Ordinary Resolution 8

Ordinary Resolution 9

A member of the Company entitled to attend and vote at the above meeting may appoint one or more proxies but not exceeding two, to strend and vote in his stead. Where a member appoints be represented by each proxy. A proxy need not be a member of the Company but must attend the meeting in person to vote. The instrument appointing a proxy must be deposited at the Company's registered office, 13th Floor, Menara PNB, No. 201-A, Jalan Tun Razak, 50400 Kuala Lumpur, not less than 48 hours before the time for holding the meeting or at any



Facility provided in connection with the acquisition of Burrus Holding S.A.

ABN AMRO Bank N.V.

Union Bank of Switzerland

Midland Bank plc

Midiand Bank ple Union Bank of Switzerland

Bank Brussels Lambert Citibank International plo

ABN AMRO Bank N.V.

Banque Nationale de Paris Credit Suisse

Deutsche Morgan Grenfell

Dresdner Bank AG Société Générale

National Westminster Bank PLC

Swiss Bank Corporation

Facility Agent Union Bank of Switzerland







Foster's shrugs off loss of Courage with 2% rise

posal. Operating profits

before interest and abnor-

mals for the three continu-

By Nikki Tait in Melbourne

Foster's Brewing, the Australian drinks group, yesterday squeezed out a 2 per cent increase to A\$293.3m (US\$232.5m) in after-tax profits for the year to end-June. Lower interest charges, strong growth from the Australian brewing A\$370.6m. assets and the absence of last time's abnormal charge offset the loss of earnings from Courage the UK.

This was achieved on sales of A\$2.54bn, down from A\$4.87bn in 1994-95. This also reflected the disposal of the Courage business which was sold to the UK's Scottish & Newcastle for £443m (\$687m) last year. Earnings per share, again

after tax and abnormals, stood at 15 cents, compared with last time's 14.7 cents. The company claimed the result was "very pleasing" given the earnings gap contributed for four months, action.

By Nikki Talt in Melbourne

Shares in Comalco, the

Australian integrated alu-

minium producer controlled

by the RTZ-CRA mining

almost 5 per cent - to A\$7.10

yesterday after the company

announced a plunge in after-

tax operating profits to A\$43.9m (US\$34.7m) in the

The profit, struck before

abnormal and extraordinary

items and a superannuation

adjustment, compared with

A\$155.1m in the same period

a year earlier. After these

items, bottom-line profits

were down from A\$96.6m to

The dividend was also

sharply reduced, from 12

cents a share in the first half

Complex blamed the down-

minium prices, softer alu-

mina markets and the

stronger US dollar exchange

of 1995 to 3 cents this time.

half-year to end-June.

A\$50.6m_

group, tumbled 38 cents - or

ing businesses - Cariton & United Breweries in Australia, a 40 per cent holding in Canada's Molson Breweries, and three Chinese breweries - rose from A\$342.2m to due to the stronger performance by CUB, which con-

tributed A\$326.6m against had been made on potential A\$282.1m. Earnings from opportunities in India and Molson dipped to A\$61.4m from A\$71.9m, due to lower industry volumes and some loss of regional market share. Foster's China operation posted a larger loss of A\$17m, against a A\$12m defi-cit last time, with the company saying that any profit was now unlikely before

The newly-acquired Mildara Blass wine business but had not withdrawn the

Comalco slides in first half

profits by about A\$70m. The

exchange rate difference

accounted for a further

higher costs - notably elec-

tricity and maintenance

charges at its Bell Bay

operations and higher denre-

ciation charges at the Tiwai

Point smelter in New Zea-

land - had knocked A\$18m

The company held out

only limited hope of any

improvement in the short

term. "Market supply and

demand for aluminium is

expected to come into bal-

ance over the second half of

this year and into 1997," it

But it warned: "The con-

tinued support of the inves-

tor community in stock fin-

factor. The market is finely

balanced and could move in

either direction should any

price in the half-year was 73 Mr Terry Palmer, chief about im tonnes of alumina US cents a pound, down executive, said he expected a year.

off the profits total.

suggested.

turn on lower primary alu- ancing is also an important

rate. The average aluminium of these factors reverse."

Comalco also said that

A\$15m shortfall.

from 86 cents in the first six the aluminium price to be in months of 1995 - cutting the 68-70 cents range in the

NEWS DIGEST

Fujitsu to cease S-Ram production created by the Courage dis- adding A\$16.1m, while inter-Pujitsu, one of Japan's leading semiconductor est charges fell from A\$129.6m to A\$61.3m. Last time's A\$92.2m abnormal

manufacturers, is pulling out of static random access memory chip production to concentrate its resources on semiconductors with greater growth potential. Fujitsu will close a line at one of its plants in northern

Japan where it currently manufactures S-Rams, which are memory chips used in large computers such as supercomputers. The company has been gradually preparing for the closure of the line by March 1997, and is expected to shift production to logic chips instead. The decision to move out of S-Rams stems from the

company's view that the market for the memory chips is not likely to grow as dramatically as those for dynamic random access memory chips and flash memory chips on which it plans to concentrate its resources. The markets for both types of memory chips are expected to grow ubstantially on the strength of multimedia products. Last year, Fujitsu's sales of S-Rams amounted to \$233m. according to Dataquest, compared with the company's total semiconductor production value of Y590bn (\$5.44bn).

Bank Niaga posts 58% rise

Michiyo Nakamoto, Tokyo

Bank Niaga, one of Indonesia's largest publicly listed banks, said net profit in the first six months of this year rose 58 per cent on a large increase in the bank's net interest income. Net profit in the first half was Rp44,08bn (\$1.24bn), compared with Rp27.95bn in the same period a year earlier. Net interest income in the period rose by more than 40 per cent from Rp111.41bn to Rp156.71bn. However, other operating income declined from Rp43.58bn to Rp40.45bn. Earnings per share were down at Rp280, compared with Rp484 in the first half of last year. reflecting the bonus issue and the conversion of bonds into shares. Analysts say earnings per share may be further diluted if the bank proceeds with a planned Rp100bn-Rp200bn rights issue. Manuela Saragosa. Jakarta

Brierley lifts Coles Myer stake

Sir Ron Brierley's Brierley Investments has lifted its stake in Coles Myer, Australia's largest retailer, to 6.8 per cent, against 5.01 per cent previously. In a notice to the Australian Stock Exchange, Brierley said that the shares had been purchased since mid-July. Nikki Tait, Melbourne

Caltex Australia shares slip

Shares in Caltex Australia closed 1 cent lower at A\$5.19 yesterday, amid speculation that US-based Caltex Petroleum, which controlled the Australian-listed entity. had decided against a partial sale of its stake – at least for the time being. Rumours of a partial sale - possibly reducing Caltex Petroleum's holding from 75 per cent to a little over 50 per cent - have been circulating since the

Beximco to proceed with project

The Bextmco group in Bangladesh said it had been given the go-ahead by the government to build a multi-use complex housing a five-star hotel, prime office space, and a shopping complex in the Dhaka city centre area. Beximco says it will be collaborating with the US Hyatt International Corporation on the project, which is Kasra Naji, Dkaka estimated to cost \$225m.

Banks key to Deutsche Telekom float

hen Mr Joachim tion, Germany's biggest ever for potential investors.

Kröske, Deutsche stock exchange listing director, last week opened as Dentsche, Dresdner and the bag of tricks with which Commerzbank - not to menthe company hopes to seduce private German banks all over Germany investors, he got himself into sell shares to their clients. something of a muddle mak-

many's banks. Germany's high street banks did to attract private inves-Telekom shares would be exempted from the usual

"a declaration made by Deutsche Telekom".

Much of the success of the standard share purchase so felephone users.

Telekom shareholders will be banks, on the other have to find. Later offers (\$10.08bn) partial privatisal lucrative savings accounts hand, need to ensure that

Notice to the Holders of the Warrants

to Subscribe for Shares of Common Stock of

KISSEI PHARMACEUTICAL CO., LTD.

(the "Company")

Issued in conjunction with

U.S.\$100,000,000

11/2 per cent. Bonds 1996

(the "1996 Warrants")

and

U.S.\$100,000,000

13/g per cent. Bonds 1998

(the "1998 Warrants")

ADJUSTMENT OF SUBSCRIPTION PRICES

NOTICE IS HEREBY GIVEN pursuant to Conditions 7 and

11 of the Terms and Conditions of the Warrants in relation to the 1996 Warrants and 1998 Warrants, respectively, that the Board of Directors of the Company passed a resolution on 7th August, 1996 to issue ¥10,000,000,000 Convertible Bonds due 2006 and ¥15,000,000,000 Convertible Bonds due 2008 at the initial conversion price of ¥2,952.0 per share of common stock of the Company, which is less than the current market price of ¥3,019.0 per share on the date such initial conversion price was fixed

As a result of such Convertible Bond issuances, the Subscription Prices at which shares are issuable upon exercise of the 1996 Warrants and 1998 Warrants will be

Such adjustment to the Subscription Prices shall be effective as of 24th August, 1996 (Japan Time).

Dated: 27th August, 1996.

\$2,891.90 per Share

Y2,883.70 per Share

¥4,459.10 per Share

¥4,446.50 per Share

IBJ Schroder Bank & Trust Company

The Fuji Bank and Trust Company

Kissei Pharmaceutical Co., Ltd.

tion the countless savings Historically German banks

ing comments about Ger- have charged relatively high fees for share purchases and First he said that what done almost nothing to encourage investments in equities. More conservative tors "is not necessarily our instruments such as bonds business". Then he were preferred. That must announced that anybody change if Deutsche Telekom buying up to 300 Deutsche is to make a success of the is to make a success of the issue in November.

Dresdner, Germany's sec issue within Germany, has

share purchase fees, but ond-biggest bank with added that this was not responsibility for placing the led the way by waiving

such moves will turn into real competition for Germany's private investors. "It_could all get quite

cut throat," says an executive close to the issue, "or the Vorstande [management boards] of the banks will get together to form a cartel."

How many shares the pri-vate investor should buy further illustrates the difficult relationship between the company and the banks. Deutsche Telekom wants the shares spread as broadly as possible in order to strengthen the ties between the company and its 40m or

the minimum number of tive: to participate in British Kröske, Deutsche stock exchange listing, Bayerische Vereinsbank, shares purchased is large that the finance depends on how banks such one of the two big Bayerian enough for them to make put down only £135.

Mr Franz-Josef Leven from the two big Bayerian enough for them to make put down only £135.

Mr Franz-Josef Leven from the two sides have agreed the German Share Institute

buy at least 100 shares. expected to be worth up to DM3,000, in order to qualify for incentives such as discounts and free shares. That minimum is considerable compared with other privatisations designed to win over

new shareholders - most notably the first tranche of British Telecommunications (BT) which was privatised in In 1984 investors were required to pay £260 (\$400) to

participate in the offering, less than a quarter the amount would-be Deutsche

that investors will have to in Frankfurt admits that the minimum investment "could scare off" potential investhe sum is "justifiable" if the banks are to come anywhere near recovering their transaction costs which, he says, come to almost DM100.

Other analysts point out that inflation, the dramatic rise of the stock markets since the early 1980s, and the very different levels of gross domestic product in the UK and Germany help explain why Deutsche Telekom newcomers will be asked to invest more than their counterparts at BT.

Michael Lindemann



Golden Hope Plantations Berhad

Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of the shareholders will be held at the Pacific Ballroom, Pan Pacific Hotel, Jalan Putra, 50746 Kuala Lumpur on 18th September, 1996. immediately after the conclusion or the adjournment (as the case may be) of the 20th Annual General Meeting of the Company which is to be held on the same day to consider and, if thought fit, passing the following Special Resolution:-

SPECIAL RESOLUTION

"That the Proposed Amendments in relation to the prescription of security into the Central Depository System by the Kuala Lumpur Stock Exchange and the other Proposed Amendments to the Articles of Association of the Company (collectively referred to as the "Proposed Amendments") as set out in Appendix 1 of the Circular to Shareholders dated 27th August, 1996 be and are hereby approved."

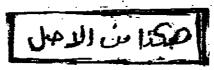
By Order of the Board NORLIN BINTI ABDUL SAMAD Secretary

Kuala Lumpur 27th August, 1996

Notes:

(i) A member of the Company entitled to attend and vote at the above meeting may appoint one or more prodes bit not exceeding two, to attend and vote in his stead. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. A proxy need not be a member of the Company but must attend the meeting in person to vote.

(ii) The instrument appointing a proxy unust be deposited at the Company's registered office, 13th Floor, Menaca PNB, No. 201-A, Jalan Tun Razak, 50400 Knata Lumpus, not less than 48 hours before the time for holding the meeting or at any adjournment thereof.



adjusted as follows:

(1) The 1996 Warrants

(2) The 1998 Warrants

Before adjustment: After adjustment:

Before adjustment:

After adjustment:

on behalf of

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Skandia

COMPANIES AND FINANCE: INTERNATIONAL

Rabobank posts strong advance

By David Brown in Amsterdam

- 1

Rabobank, the Dutch cooperative bank, reported a 21.5 per cent increase in - net profit of Fi 725m. first-half net profit to F1 853m (\$511.6m) from the Fl 702m in the previous com-

New mortgage loans were substantially increased.

Both the operating result growth in the second half," the need to hire more staff, and not profit in the second said Mr Herman Wiffiels, the continued expansion of half are expected to increase executive board chairman, on the same period last year, when the bank reported a it will be in single digits".

parable period, but warned that this rate of growth would be unsustainable for the full year.

The strong first half was powered by higher lending, commission income and investment on foreign and the rate of investment on foreign and the rate of investment on foreign and the said its loan portfolio totalled F1 250m at investment on foreign and the said its loan portfolio totalled F1 250m at investment on foreign and the said its loan portfolio totalled F1 250m at investment on foreign and the said its loan portfolio totalled F1 250m at investment on foreign and the said its loan portfolio totalled F1 250m at investment on foreign and the said its loan portfolio totalled F1 250m at long the said its loan portfoli commission income and investment on foreign and funds under management. domestic expansion will be

Total income rose, from

However, Rabobank said it F14.1bm to F14.7bm. Of this, would be hard-pressed to F13.4bm was generated by match last year's exception interest income, which rose

June 30 1995. omestic expansion will be obstantially increased.

"We expect reasonable of the brisker pace of bysiness,"

its global network, where 19 new offices brought to inter-national total to 84, and finally to investments in

new technology.

Operating profit in the first half advanced from Fl 102bn to Fl 1.26bn, up 22.7 per cent. Consolidated assets rose to Fl 322bn by mid-year, up Fi 28.9bn from the end of 1995. Rabobank also reported a strong increase in its offnominal value of derivatives contracts rose by Fl 152bn to F1 789bn in the period.



Herman Wijffels: reasonable

who was willing to accept a

greater measure of auton-

only for the three regional

banks. The bank's tempo-

rary management under Mr

Andrzej Dorosz is now tak-

ing a much tougher line.

according to Mr Szukalski.

banks will precede privatisa-

tion of the group, according

to the government. Mr Szu-

kalski says this can only start in 1998 as next year

will be spent on implement-

Consolidation of the four

Spanish : stores chain slips after buy

By David White in Madrid

El Corte Inglés, the privately-owned Spanish department store chain, took a cut of just under 8 per ceut in net profits in its last financial year as a result of taking over its main rival Galerías Preciados.

However, the purchase and rapid reopening of most of the acquired stores enabled it to increase group sales to Pial,093bn (\$8.69bn), showing 7.6 per cent growth in spite of a generally slack trend in consomer demand.

Group net profits in the year to February 29 fell to Pta30.93bn, compared with Pta33.58bn the previous year. This was the lowest figure for six years. But Mr Isidoro Alvarez, chairman, described the result as satisfactory. "The test has been passed," he said.

El Corte Inglés, the thirdlargest Spanish company by turnover after the Repsol oil group and Telefónica, paid Pta30bn for the assets of Galerias Preciados, a trou-bled group which had been through six owners since the mid-1970s. Under the terms of its bid, selected by the commerce ministry, El Corte Inglés committed itself to hiring 5.200 of Galerías's 7,300 employees.

As a result of the purchase, total group investments almost doubled to Pta109.82bn, and outstanding financial debts climbed 42 per cent to Pta100.02bn. The deal involved 29 Galerías stores, of which 26 have since been reopened as El Corte Inglès branches, bringing the number of department stores in the group to 62.

The impact on profits was lessened by a 7 per cent net earnings increase at the Hipercor supermarket subsidiary to Pta5.97bn, on sales up 11.5 per cent to Pta223.54bn. However, losses at the group's California-based offshoot The Harris Company rose from

NEWS DIGEST

DG Bank up 30% at operating level

DG Bank Deutsche Genossenschaftsbank, the umbrella organisation of Germany's co-operative banks, said operating profit after risk provisions rose 30.1 per cent to DM266.2m (\$178.9m) in the first half, from DM204.6m a year earlier. The bank said the increase was due to an improvement in operating business and slower growth in costs than at other banks. It said it was "optimistic" that it could achieve higher earnings for the full year as long as risk provisions and costs continued to grow at a

Risk provisions fell 11.9 per cent to DM188.1m in the first half, from DM213.4m a year earlier. Not interest income rose 15.4 per cent to DM1.6bn from DM1.4bn. Net commission income fell 3.8 per cent to DM138.5m from DM143.9m the year earlier, mainly due to accounting changes at building society unit Schwaebisch

Trading income fell 12 per cent to DMS1.3m from DM91.3m the year earlier. Operating costs rose 9.6 per cent to DM1,35bn from DM1,23bn, lifted by the first-time consolidation of the VR leasing group. Total assets rose 2.8 per cent to DM308.7bn. AFX News, Frankfurt

FDA clears Aids drug

Ares-Serono, the Swiss pharmaceutical group, said the US Food and Drug Administration had cleared its Serostum human growth hormone treatment for Aids under its accelerated approval process. Serostim is used to help Aids sufferers regain lean muscle and organ tissue.

"The approval of Scrostim is an extremely rewarding and important milestone for the company," Mr Ernesto Bertarelli, Ares-Serono chief executive said.

Telefónica in Portuguese bid

Telefònica de España is secking to lead a consortium in the Portuguese government's planned privatisation of a 25 per cent stake in Portugal Telecom. The size of the stake for which the consortium will bid will depend on the conditions set by the government, but a spokesman said that it is "more likely to be something like 10 per

The consortium could include Societa Finanziaria Telefonica, a company spokesman said. As part of a future alliance the two companies would wish to co-operate in areas such as international traffic, he added.

Telefónica recently formed a consortium to bid for a 35 per cent stake in Brazil's state-owned Companhia Riograndense de Telecomunicacoes. AFX News, Madrid

Offer for Semperit

A group of investors headed by former Austrian finance minister Mr Hannes Androsch has offered to buy Continental's local tyre manufacturer Semperit Reifen. Mr Androsch told national radio ORF that he proposed buying and restructuring the unit's factory, sited in a Vienna suburb, in conjunction with foreign partners whom he did not name.

In April, Continental said it planned to cut annual output from the factory from 4m to 2m units while transferring part of its tyre production to the Czech Republic. Mr Androsch said that, in view of the parent company's plans, the purchase price "cannot be very high".

AFX News. Vi AFX News, Vienna

Polish banks optimistic on merger deal

By Christopher Bobinski in Warsaw

Officials from coming disagreements to setting up a financial group which would control about market. A deal completing the government planned merger could be signed as early as next month.

The differences between Depozytowo Kredytowy merger must be a friendly mittee in an advisory role.

A secondary offering of Mol,

Hungary's oil and gas com-

pany, which the state hoped would be the country's larg-

est international equity offer

this year, is unlikely to go

ahead until the spring, fol-

lowing the government's surprise decision last week

to delay energy price rises

many, Electricité de France,

Gaz de France and Italgas,

which last year paid nearly \$2bn for stakes in other local

The state, which holds 58.6

per cent of Mol. hopes to (\$16m) this year.

The decision rattled strate-

gic investors such as RWE it fell a further 30 points, and Bayernwerk of Gerending at Ft1,565. Last year's

By Virginia Marsh in Budapest

until January.

energy companies.

(BDK) in Lublin and Powszechny Bank Gospodarczy (PBG) in Lodz - and the PKO SA, a Warsaw-based state-owned Polish banks savings bank that is to lead remain confident of over- the group, centre on the exact measure of autonomy each bank is to enjoy.

Last week the four banks one-fifth of the local banking met to discuss the fourteenth draft of the consolidation agreement without reaching agreement.
PBG is leading the opposi-

tion to leaving full control of the three regional banks - the group with the PKO SA, Pomorski Bank Kredytowy although Mr Andrzej Szukalfrom Szczecin (PBKS), Bank ski, its president, says: "The

raise energy prices in Octo-ber. Mol's share price

plunged 130 points to Ft1,540 on Friday before it recovered

to close at Ft1,595. Yesterday

offer was priced at Ft1,100.

Mol's losses on its gas business - even with the

planned rises it had expected

a shortfall of about Ft2.5bn

The delay will increase

Setback for Hungarian energy

one." Mr Szukalski, Who is also head of the Polish Banking Union, a trade association, says that the three regional banks musicistay as separate legal units, retaining their names and local character. character.

sions for the group to be taken by a management committee, composed of two representatives from the PKO SA and one figure each of the three banks. The PKO SA wants its board to manage the group's affairs, leaving the management com-

PBG also wants the after the recent death in a regional banks to retain car accident of Mr Marian responsibility for those sec-Kanton, head of the PKO SA. tors which they have developed in the seven years since they were carved out of the National Bank of Poland. In PBG's case, this is a

successful investment banking division, which manages the corporate assets taken over in lieu of debts. The bank also owns the Lodz Management Group which is seeking to raise \$50m for a venture capital fund which would concentrate on investments in central Poland. Consolidation talks come

Unlike last year's buyers,

however. AES will not pay

the final \$38m instalment of

a purchase price of up to

\$143m unless several condi-

on prices, have been met.

renegotiate their purchase A partial solution favoured

sale of 12-18 per cent. It follows the placement of an 18-8 per cent stake for \$153m last autumn, in what was eastern Europe's largest ever primary equity offering.

However, the sale will almost certainly be delayed due to the government's fall ure to honour its pledge to raise energy prices in Octoby some investors, on the electricity side, would be for MVM, the core electricity company which operates the national grid and is still state-owned, to act as a buffer, paying cost-reflective rates for the power purto AES, the US utility. chased from generators, but selling distributors at a loss. The government could then honour its commitments to investors and minimise consumer price rises, although

tions, including a decision it would, however, complicate plans to privatise MVML Other investors hope they can convince the govern-On the gas side, the state ment to go ahead with the has less room to manoeuvre as it promised investors in Mol and the distributors that price rises on grounds that, otherwise, they will have to delay or scale back plans for the companies would enjoy

week it ordered a govern-ment commissioner to

review the matter, a However, energy prices have risen sharply in the

past 18 months and many ministers in the Socialist-led

cabinet are religitant to

sanction further steep increases at a time of high inflation, falling real wages

and welfare cuts. jis "What we're seeing is a government making prom-

Skandia is an international corporation providing insurance and financial services in its Nordic home market and internationally. The group offers a wide range of direct insurance, reinsurance and savings products tor individuals and businesses. Based in Stockholm, Skandia has approximately 10,000 employees. Skandia's shares are listed on the Stockholm, Copenhagen and London stock exchanges.

1996 Interim Report - Skandia Insurance Company Ltd.*

Result Improvement

- The operating result improved by 34 per cent to MSEK 10957 (1,462). The result before taxes rose 64 per cent to MSEK 1,544 (940).
- Total premiums written rose 9 per cent (-2) to MSEK 29,976 (26,662). Adjusted for currency effects and the sale of Skandia America Reinsurance Corporation, the increase was 22 per cent.
- Premiums written for unit linked assurance rose to MSEK_15,014 (10,956). Adjusted for currency effects the increase was 51 per cent (-13). The largest growth was reported in the U.S., up 96 per cent (-12). The operating result for the group's life and unit linked assurance activities rose to MSEK 811 (563).
- Investment income was very favourable, totalling MSEK 1,466 (641), mainly due to strong value appreciation in the share portfolio.
- The technical result for non-life insurance and reinsurance decreased to MSEK 79, due to higher claim costs. This decline was compensated by investment income. Consequently, the operating result for non-life insurance and reinsurance improved by 7 per cent to MSEK 1,545.
- Net asset value increased to MSEK 17,166 (16,249), corresponding to SEK 168 per share (159).
- Skandia's interim report will be published around August 26. Copies can be ordered from: Skandia, Market Communications, S-103 50 Stockholm. Tel. +46-8-788 10 00, or fax +46-8-788 26 85. Internet: http://www.skandia.se

MSEK	June 1996	June 1996	Change %
Non-life insurance and reinsurance	1,545	1,444	+7
Life assurance	811	563	+44
Other activities	28	-15 .	
Joint-group expenses	-427	-530	-19 ·
Operating result	1,957	1,462	+34

FIRST HALF 1996 FINANCIAL RESULTS (Reviewed by Ernst & Young, Bahrain)

CONSOLIDATED BALANCE SHEET	. (US\$ million)			
(AT 30 JUNE 1996)	30 June 1996			
ASSETS				
Liquid funds	268	228		
Marketable securities	2,219	2,158		
Placements with banks and other financial institutions	6,817	6,434		
Loans and advances	10,922	10,658		
Interest receivable	376	316		
Investments in associates	80	81		
Other investments	10 4	114		
Other assets	286	293		
Premises and equipment	<u>445</u>	<u> 455</u>		
	21,517	20,737		
LIABILITIES				
Deposits from customers	9,455	9,760		
Deposits from banks and other financial institutions	8,068	7,347		
Certificates of deposit	260	203		
Interest payable	317	267		
Other liabilities	301	419		
Minority interests	<u>272</u>	<u> 260</u>		
	<u> 18.673</u>	<u> 18,256</u>		
TERM NOTES, BONDS AND OTHER TERM FINANCING	G <u>1,250</u>	994		
SHAREHOLDERS' FUNDS				
Share capital	1,000	1,000		
Treasury stock	(75)	(71)		
Reservés & retained earnings	608	491		
Current period's profit	<u>61</u>	67		
-	1,594	1,487		
•	21,517	20,737		

CONSOLIDATED INCOME STATEMENT	(US\$	million)
(6 MONTH PERIOD TO 30 JUNE 1996)	Jan-june 1996	Jan-June 1995
INCOME FROM OPERATIONS		
Net interest income Other operating income TOTAL INCOME	196 <u>128</u> 324	194 <u>136</u> 330
Operating expenses	(207)	(197)
OPERATING PROFIT BEFORE LOAN LOSS PROVISION Loan loss provisions	S 117 (14)	133 (29)
PROFIT BEFORE TAXATION AND MINORITY INTERESTS	103	104
Taxation on foreign operations Minority interests in subsidiaries	(27) (15)	(2 4) (13)
NET PROFIT FOR THE PERIOD	61	67

is for Midnight Oil

REQULATED BY SFA AND IMPO

INTERIM REPORT - SPARBANKEN SVERIGE - JANUARY - JUNE 1996

Stable development

Operating income improved by 46% to SEK 2,474 M
 Total revenues increased by SEK 461 M
 Credit losses decreased by SEK 445 M
 Return on equity rises to 19.6%

| Similar | Simi

Jan-June Jan-June 1896 1895 382.9 380.9

154.9 143.2 522.3 507.6 18.0 18.5

SPARBANKEN SVERIGE

the report can be requested from Sparbanken Sverige, Investor Relation fax Int. +46-8-723 71 32. The report is also published on the Bank's homepage on the Internet: www.sparbanken.sc

Income Statements, The Group

SEKM 580 1998 1998
Interest receivables 22,334 23,509

Interest receivables Leasing Income Interest payable Dividends received Commissions, net Net financial income Other operating rev

Personnel expenses

Operating income

ncome before credit losses Credit losses 7

Lending, SEK bri Deposite/funding from the general public, SEK bri Total assets, SEK bri Equity, SEK bri

Return on equity, % Earnings per share, SEK

VE ratio after credit losses Capital adequacy ratio, % Primary capital ratio, %

Adjusted equity per share, SEK VE ratio before credit losses VE ratio after credit losses Capital adjustments

Credit loss ratio, % Doubtful claims to lending, %

Number of employees, June 30

Key Figures, The Group

37 cities, in 30

countries, we're one

To never take relation

INVESTMENT BANKING. FROM A



A DIVISION OF BARCLAYS BANK PLC

CS FIRST BOSTON GROUP CS First Boston Finance, B.V.

US\$200,000,000

Guaranteed subordinated floating rate notes August 2003

CS First Boston Group, Inc. Notice is hereby given that for the interest period 27 August 1996 to 25 February 1997 the notes will carry an interest rate of 5.55469% per annum. Interest payable on 25 February 1997 will amount to US\$28.08 per US\$1,000 note

note and US\$2,808.20 per Agent: Morgan Guaranty Trust Company

and US\$230.82 per US\$10,000

Interfinance Crédit

JPMorgan

115\$100,000,000 Guaranteed floating rate undated insecured subordinated non-cumulative capital notes

In accordance with the terms and conditions of the notes the rate of interest for the interest period 27 August 1996 to 25 February 1997 has been fixed at 9.028134028% per annum. Interest payable on 25 February 1997 will be US\$45,642.23 on each US\$1,000,000 principal

Agent: Morgan Guaranty Trust Company

JPMorgan

COMPANIES AND FINANCE: INTERNATIONAL

Gold miners on growth treadmill

Producers are turning to takeovers in the struggle to maintain their reserves

orth America's big gold mining groups are on a treadmill. They have to keep running ever faster just to stand still. Their problem, in a nutshell, is that the market values their shares mainly by looking at the mineable gold they have in the ground their reserves.

Investors put a premium on companies whose gold reserves keep growing and also give a higher rating to big gold mining groups.

The scale of the challenge

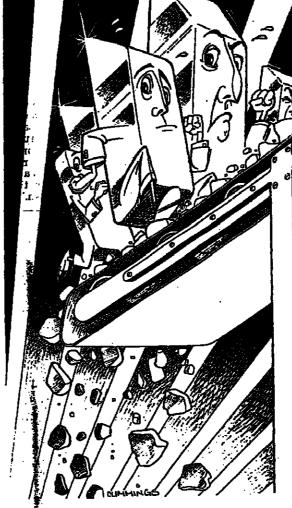
is neatly illustrated by the three biggest North American gold producers: Barrick Gold, Newmont and Placer

If they want to keep shareholders sweet, they will have to bring 7.08m troy ounces of gold into their combined reserves this year, or 217.7 tonnes. That is more gold than was produced in Canada or Russia last year -150.3 tonnes and 142.1 tonnes respectively.

This challenge has been put in the spotlight by the C\$1bn (US\$730m) bid which closes today - by Barrick for Arequipa, a fouryear-old Vancouver company; the recent merger of Battle Mountain Gold and Hemlo to form North America's fifth largest gold producer, and Battle Mountain's approach last week to Niu-gini Mining about the possibility of acquiring the 49.6 per cent of the Papua New Guinea-based company it does not already own.

The Arequipa bid did most to bring home to investors the problems ahead for groups such as Barrick. which was formed only a little over 10 years ago and is now the biggest gold miner outside South Africa.

Arequipa's most important asset is a project in Peru where, at the time the bid was made, only nine holes had been drilled. What can't go on growing as fast that the top three companies attracted Barrick was that as they grew in the past and (Barrick, Newmont and



those drill holes indicated there might be 3.5m ounces of gold in the deposit.

"Archuipa has an incredibly exciting deposit," says Ms Learne Baker, analyst at Saloman Brothers. "But the bid points up the real chal-lenge Barrick faces. Barrick Barrick faces. Barrick needs to add 4m ounces a year to reserves just to stand still. Bärrick is paying now to boost reserves and production down the road." Mr Nick Hatch, at Flem-

ings Global Mining Group, adds: "Obviously it becomes harder and harder to replace reserves. The problem can only get worse the bigger a company becomes. Companies like Barrick, Newmont and Placer Dome are bearing the seeds of their own destruction. They simply

this is already reflected in the Barrick share price."

One obvious way for a gold group to boost reserves is via takeovers or mergers. Barrick's hectic growth has been helped by acquisitions, for example. Its US\$1.6bn takeover of Lac Minerals, another Canadian company. in 1994 helped lift its annual gold output from 2m ounces to just over 3m while adding erves in Chile as well as North America.

The pressure for takeove and mergers among gold miners is also being increased by the market's preference for bigger groups. In their latest review of North American gold producers, analysts at stockbroker T Hoare & Co point out

Placer) account for 66 per cent of the total market capital of this sector of the Financial Times Gold Mines Index, whereas their share of gold production is only 54 per cent. "Clearly the market is prepared to pay a premium for size," they add.

There is a big danger in the merger strategy, as the Hoare analysts point out. "Although it may increase total reserves and production and thus the [market] rating, the price paid is sometimes far more than the cost of finding new gold from scratch, although finding multi-million ounce deposits is clearly not easy."

Ms Baker at Salomon agrees: "Those companies with good exploration track records are the ones with the potential for adding most value, rather than those that have to acquire."
The difficulty investors

face is that it is usually small or "junior" gold companies that have exploration successes. Arequipa in Peru and two other Canadian companies, Bre-X in Indonesia and IAMGold in West Africa, are recent examples.

"The large North American gold miners have found it increasingly difficult to discover gold deposits that are large enough to justify their involvement and capa ble of providing sufficient production to pay for the management time and big company overheads." say Hoare analysts Ms Elena Clarici, Mr Matt Sutcliffe and Mr Roger Chaplin.

"Large gold miners are resorting to a certain extent to the 'cheque book' approach to exploration which enables them to buy into juniors and areas after the discovery has been made and most of the surrounding areas have been staked."

Fortunately, as Flemings Mr Hatch points out, it will be a long time before gold groups run out of new places to explore. "Huge tracts of the earth have not yet been properly explored and gov ing to open them up to mining companies includes the bulk of Africa, Russia and other parts of the CIS, Indonesia, China and India," he says.

Kenneth Gooding

Treasuries drag down Europe

By Richard Tomkins in New York and Conner

With the UK closed for a the Fed released the minutes national holiday, European of the July meeting of its government bond markets Open Market Committee. had a quiet day yesterday, dragged down by weakness

in US Treasuries. US bonds fell amid worries that the Federal Reserve might be set to raise interest rates next month, but the losses were mitigated by a

decline in home sales.

At midday, the benchmark
30-year bond was down ii at

decline in home sales.

People thought.

Works about the prospect of an interest rate increase day when the latest report of National Association of Real-

The losses incre

GOVERNMENT BONDS

showing that policy makers had been closer to raising interest rates than many

durable-goods orders indi- tors announced that sales of cated that economic activity existing homes fell by 5 per tion data for western Gerwas stronger than expected. cent in July. The figures many showing a 0.1 per cent that economic growth might, 1.4 per cent rise on the year, after all, be slowing.

> with the September futures contract on the DBT, Germany's futures and options exchange, down 0.27 at 97.15

in thin turnover.

had little impact on bunds. ■ German bunds ended a ■ The French bond market

Preliminary August infla-

lacklustre session weaker, also weakened, with the notionnel bond future on Matif slipping by 0.22 to 123.30 in thin volume.

■ Italian bonds were hit by a Technically, this put the softer lira and weaker bunds German market in a weak and Treasuries; the bond position, said a trader in futures contract falling by Frankfurt. "If the bund con- 0.56 to 115.34. Spanish bonds 971, yielding 6.967 per cent. continued yesterday, but tract on Liffe gaps lower fell less sharply, with the The sell-off began on Friesday a little when the [today], that doesn't bode bond future on Meff ending well for the market," he said. at 100.56, down 0.26.

the State Bade &

PATE DIVINE

BNI given investment grade rating

By Manuela Saragosa in Jakarta

Bank Negara Indonesia, the state-owned bank which ranks as Indonesia's largest

and is due to be publicly listed before the end of this year, has been assigned an investment grade long-term rating of triple-B and a short-term rating of A-3 by Standard & Poor's.

The rating agency said BNI's capitalisation was "reasonable", its equity-to-assets ratio "satisfactory", and that it would have the "probable support of the Indonesian government if it became distressed financially".

BNI has made no comment on the rating but it is bound high relative to international to please following the low

rating assigned to the bank by Moody's Investors Service in February this year.

D-plus, noting that its main challenge was to balance its commercial standards with its rating statement. those needed to support government policies.

S&P said that while BNT's financial profile is "dampened by low to moderate profitability and moderately high non-performing loans", the bank's "fiscal health" last year allowed it to increase market share. While BNI's non-performing loans are "better than

those of many other state banks", its lending expo-sures are "believed to be

reduced a large bulk of its non-performing assets and Moody's allocated BNI a its main task now is to financial strength rating of improve its competitiveness sector banks," S&P said in Earlier this month, Mr

None Purnome, BNI managing director, indicated concern over whether the health of the state banking sector following a series of bad debt scandals in recent years would affect BNI's plans to list its shares this year. He noted that BNI has

"relationships" with 75 per cent of government-owned enterprises and that its "system of credit control is considered good". Corporate banking repre-sents 63 per cent of BNTs co-ordinator.

"The bank essentially has domestic loan portfolio although it intends to increase retail banking's share to 50 per cent. The improve its competitiveness bank has assets worth against the major private Rp32,000bn (\$13.65bn) and more than 13,000 employees.

BNI is widely expected to be the first state-owned company to follow the initial public offering of Telkom, the state-controlled domestic telecommunications company, which was partially privatised in October last Mr Bacelius Ruru, senior

finance ministry official responsible for state-owned enterprises, has said the BNI float would be a domestic issue listed in Jakarta, with a tranche offered to international investors and a single

The Financial Times plans to publish a Survey on on Monday, October 28

For further information please contact John Rolley on Tel: +41 22 731 1604 or fax: +41 22 731 9481



COMPANIES AND FINANCE: UK

Overexpansion felled Chamberlain Bass deal Banks back

By Jane Martinson

- (16

Receivers at Chamberlain Phipps have blamed most of the UK footwear group's downfall on its aggressive international expansion.

Speaking for the first time since being appointed last Monday, Mr Murdoch McKil-lop, joint receiver, said that difficult trading in the UK shoe industry had not helped, but it was international ambitions that led to the group's downfall.

Chamberlain shares were suspended last week after a going concerns. "We are try-

Utd Utils

woos US

investors

Senior executives from

United Utilities, the UK's

first multi-utility, returned

from an intensive charm

offensive aimed at US inves-

The visit, the first by exec-

utives in two years, follows

substantial investor criti-

cism of the group's new pay

packages agreed at last

Mr Bob Ferguson, group

finance director, accompan-

ied on the trip by Mr Brian

Staples, group chief executive and Mr Clive Riphick

planning director, said US

institutions had shown "a

lot of interest in the United

As well as the controversy

over the new pay plan, UK institutions have questioned

the role of Sir Desmond

Pitcher, executive chairman

in recent months. Sir Des-

mond, who went on holiday

after the annual meeting

and has only recently

returned, is still expected to

carry out his own charm

offensive aimed at UK inves-

Following North West

Water's £1.8bn (\$2.79bn)

takeover of Norweb last

November - to form United

- the shares have underper-

formed the sector. But since

to close at 607p on Friday.

at water the

month's annual meeting.

By Jane Martinson

tors on Friday.

Utilities story".

survival plan put forward by Postern, a corporate recovery specialist, was rejected by creditors led by the Bank of Scotland. The bank, together with Credit Lyonnais Laing, was owed about 230m (\$47m) by the company, which had issued two profits warnings and

breached its bank covenants. The Arthur Andersen receivers now hope to sell Chamberlain's three remaining international divisions in the US, Canada and the UK - separately and as ing to make sure all the constituent parts survive, but under new ownership," said Mr McKillop.

Although some potential buyers had indicated they would be interested in the entire business, this is unlikely to happen.
In spite of a number of

approaches, Mr McKillop is not keen to rush into a sale: There is no need to rush into anything and certainly no need to panic. We are not going to have a fire sale. What we want is for the

the sales is intended to attract better prices. Mr McKillop said the 12 serious buyers would be contacted once his 20-strong team had "a better idea about what's

affairs from the former directors should have been filed. Six people had left Chamberlain's head office and no other redundancies were becasia

happening".

The French shoe manufac-

The strategy of delaying turing arm was sold last week in a management buy-out, although final details have not been agreed Mr McKillop intends to

realise the group's investment in the two other inter national companies, as well He envisages the UK sale as intercompany debt within three months, by some C\$\$m (\$5.8m) in (which time a statement of ada and \$4m in the US. as intercompany debt of some C\$8m (\$5.8m) in Can-The most difficult sale is

likely to be that of Knapp, Chamberlain's US company. Mr McKillop denied specula tion that the company might have to file for Chapter 11 Bankruptcy protection.

may mean licensing review

By Alice Rawsthorn

Bass may face a review of the licensing deal to make and distribute Castlemaine XXXX, the Australian lager, if its proposed acquisition of Carlsberg-Tetley, the rival brewing joint venture, goes

Carlsberg-Tetley, which

spent a year negotiating the acquisition with Bass before agreeing terms at the weekend, holds the licence to produce and sell Castlemaine in the UK from Lion Nathan, the New Zealand drinks group that owns the brand. Under the terms of such agreements, licensing rights sually come up for review if the licensee undergoes a

believed to be the case under Carlsberg-Tetley's licensing deal to produce Cas-The acquisition agreement involves a change of control for the Carlsberg-Tetley venture. It enables Bass to buy 50 per cent of the company from the Allied Domecq drinks group for £200m (\$310m). Carlsberg, the Danish brewer, will put the

change of control. This is

berg-Tetley plus £20m into Bass's UK brewing subsidiary, in return for a 20 per cent stake in that busine Bass said Carlsberg-Tetley had a number of other small licensing arrangements, but the Castlemaine contract was by far the biggest. Castlemaine is the UK's 11th By Geoff Dyer

other 50 per cent of Carls-

The UK brewer's plans for Carlsberg-Tetley have been put on ice, while the Office of Fair Trading reviews the proposed deal, which will enlarge Bass's share of the UK brewing market from 23 per cent to 35-38 per cent and give it eight of the 15 best selling beer brands.

best selling beer brand.

The OFT is considering whether to recommend a referral to the Monopolies and Mergers Commission. If the OFT allows Bass to press abead with the entire deal, Bass will review its enlarged operations.

Greycoat's City projects

By Simon London, Property Correspondent

Greycoat, the property company, has raised bank finance for two speculative City of London office developments, providing the most concrete evidence to date that lenders are returning to the development market.

Banks have been unwilling to finance speculative property schemes since the City development boom of the late 1980s, which resulted in an oversupply of new buildings, a collapse in property values and large loan write-offs.

The availability of bank finance will determine whether a new wave of speculative development takes place, now that City rents are again on an upward trend.

Greycoot has raised about 220m (\$31m) to finance two 50,000 sq ft developments, at Bishopsgate and 1 Great St Helens. Both schemes are scheduled to be completed by the end of 1997.

The respective lenders are Hongkong and Shanghai Heliba, the German mortgage bank

The loans are nonrecourse, so the banks' main security is in the value of the finished buildings, which Greycoat has guaranteed to

In each case, the banks agreed to lend 50 per cent of the development cost, a conservative loan-to-value ratio. value ratios were typically 75-80 per cent, which meant that developers needed relatively little equity to fund

speculative projects.

Mr Chris Strickland, Greycoat's development director, said only a handful of banks were willing to consider speculative development finance even on such conservative terms, "All the banks we have been talking to have large property teams. They understand the market and have the resources to monitor loans as developments take shape."

Greycoat is paying an interest margin over interbank rates of 1 to 1.5 perrentage points.

Mentmore in bid talks with BDM

Mentmore Abbey, the stationery, housewares and storage group, has entered into talks with British Data Management about a takeover bid for the archive storage company.

A takeover would further

transform Mentmore, which changed its name from Platignum in March when it acquired Abbey Storage for £24.5m.

BDM announced August 12 that it had received an approach which might lead to an offer. The group said that any bid was

likely to be at a modest premium to the share price then 179p, valuing it at a

BDM shares, at 159p before takeover speculation began, closed at 180p on Friday. It is thought any deal could take some time to put

together because of the rela-

tive sizes of the two groups:

Mentmore has a market cap-

italisation of only £27m. Analysts did not rule out a bid from another party, with Brambles Industries, the Sydney-based transportation and equipment hire group, mentioned as a possible can-



Lavendon raising up

By Christopher Price

Lavendon Group, which rents out mobile extensions for outside broadcast cameras and construction work, is planning an autumn flotation which is likely to value the company in excess of £25m (\$39m).

The group plans to raise last month's annual meeting they have gained some 40p between £8m and £12m,

venture capital investors and reduce debt. Lavendon, founded in 1988, was subject to a management buy-in in 1992. CinVen owns 55 per cent of the equity and management the remainder.

Mr David Price, chairman, said the market for powered access equipment was being driven by health and safety requirements across Europe, which will be used to pay off and was replacing tradi-

tional scaffolding in a large number of markets. Pre-tax profits of £1.8m

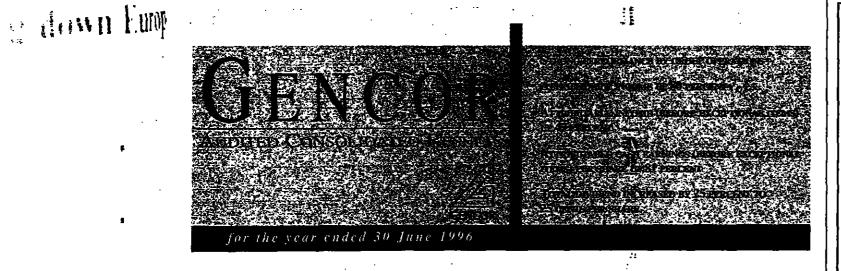
£9.9m in 1995, against £650,000 and £7.2m respectively.

About two-thirds of Lavendon revenues are generated from the construction business, including a large proportion of repair and maintenance work. The company

also provides powered access vehicles for broadcasting work, including the Wimblewere struck on sales of don tennis championships and the British golf championship.

The company has 400 powered access vehicles, the largest of which cost £500,000 and is hired out for £10,000 a

Beeson Gregory is sponsor and broker to the float.



		-	%
	30.06.96	₹30.06.95	Change
R million			
Attributable income	1 803	1 003	80
Attributable income (before exceptional items)	1 49 4	1 017	47
Net assets (at valuation)	25 110	ii 19 314	30
	•	*	
Cents per share		.*	
Attributable income	124,4	: 72,8	71
Attributable income (before exceptional items)	103,1	73,8	40
Attributable cash earnings		_ .a.	
(before exceptional items)	135,7	· 74,8	81
Dividends	25,0	20,0	25
Net assets (at valuation)	1 730	: 1 392	24
		1	
US\$ million		. ś ú	
Attributable income	469	£ 279	68
Attributable income (before exceptional items)	388	iii 283	37
Net assets (at valuation)	5 794	³ 5313	9

FINAL DIVIDEND

By order of the Board

MLDavis

Johannesburg

DIAMONDS – NEW HORIZONS IN MINES AND MARKETS

7 October 1996 - London

This major one-day conference will review the significant changes taking place in the international diamond industry, examining the consequences of the boom in worldwide exploration for diamonds. the impact of possible new producers on the market and the growth of new consumer markets in Asia. Expert speakers from North America, South Africa, Europe and Australia will address these key issues at this, the first FT conference devoted to diamonds.

Issues to be addressed include:

- The Global Search for Diamonds
- Canada's Potential as a New Diamond Producer-
- Where Do the Russians Stand?
- Africa's Position in World Diamond Production Now and in the Future
- . How the Markets will Respond to the Prospects of New Diamond Production

Speakers include:

Mr Hugo T Dummett Senior Vice President and Group General Manager Exploratio BHP Minerals

Mr R John Robinson Chief Executive Ashton Mining L.

Mr James Picton Research Consultant

and Antwerp Confidential

Standard Equities, Johann Dr John Helmer Moscow Correspondent Diamond International, Diama Mr Eli Izhakoff President World Feder

Managing Director Mr Peter M Miller Chief Executive, St Gene

Dr Luc Rombouts

President, KWG Resources Inc Mr R Baxter-Brown

Resources Lad

REGISTRATION/ENQUIRY FORM FT DIAMONDS - NEW HORIZONS IN MINES FEES ARE PAYABLE IN ADVANCE Please reserve one place at the rate of £581.67 (£495.00 plus 17.5% VAT). Please note that as the conference is being held in the UK, all registrants are liable to pay Value Added Tax. A VAT receipt will be AND MARKETS 7 October 1996 Mr/Mrs/Miss/Ms/Dr/Oth sent on payment of the regis First Name Cheque enclosed made payable to FT Confe Bank Transfer to: FT Conferences, Midland Bank plc. City of London Corporate Office, Account Number 71009095 Sort Code 40 02 50 International, SWIFT Code MIDLGB22 (please quois delegate name as reference). Please charge my AMEX/MasterCard/Visa with & City Expire Date Fax Signature of Cardholder

A final dividend No. 141 (coupon No. 150) of 18 cents (1995 - 14 cents) per ordinary share has been declared, payable on 27 September 1996 to shareholders registered on 13 September 1996. The share register will be closed from 16 September to 25 September 1996. The dividend is payable in the currency of the Republic of South Africa. Payments from the United Kingdom will be made in United Kingdom currency at the rate of exchange ruling on 19 September 1996, or on the first day thereafter on which a rate of exchange is available. B P Gilbertson GENCOR LIMITED on mamber OLO (232A)6 ged in the Republic of South Africa 6 Hollard Street, Johannesburg 2001 PO Box 61820, Marshalltown 2107 26 August 1996 Lufthansa SAS UNITED AIRLINES

FI-SE 100 3907.50 3891.10 3972.10 39851.20 39851.70 3987.50 3897.50 3898.10 3977.50 3882.20 3987.50 39861.00 FI-SE-A Redging FI-SE-Bard 250 at Jib., 4480.50 4457.50 44615.00

* AUDDENOIS AND MONEY	
	LD INTEREST RATES
POUND SPOT FORWARD AGAINST THE BOLLAR Aug 26 Closing Change Bid/offer Day's Mild One scontt: Three storages Cine year Bank of mild-point on day spread high low Rate %PA Rate %PA Rate %PA Rate %PA Eng. Index. **MONE Aug 26 Closing Change Bid/offer Day's mild Oue scontt: Three storages Cine year AP Mongan Mild-point on day spread high low Rate %PA Rate %PA Rate %PA Rate %PA Eng. Index.	night moral illus illus and 250 -
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	TREST RATES Tressury Bills and Bond Yields One month
3 mits 1.5549 1.5553 modifies page in Today's edition. ## SWISS FRANC FUTURIES (MMA) SFr 125,000 per SFr 1.5540 1.5543 1.5562 Sep 0.8414 0.8394 -0.0001 0.8415 0.8389 17,334 37,723 ## SWISS FRANC FUTURIES (MMA) SFr 125,000 per SFr 1.5543 1.5562 Sep 0.8414 0.8394 -0.0001 0.8415 0.8389 17,334 37,723 ## SWISS FRANC FUTURIES (MMA) SFr 125,000 per SFr 1.5543 1.5562 Sep 0.8414 0.8394 -0.0001 0.8415 0.8389 17,334 37,723	814 Two manifi
Dec 0.8478 0.8460 -0.0002 0.8483 0.8457 1,012 3,302 Mar 0.8546 0.8546 +0.0010 0.8548 0.8546 3 617 I JAPANESEE YEM FUTURES (AMA) Yen 12.5 per Yen 100 UK INTEREST RATES UK INTEREST RATES UK INTEREST RATES On the symbols please refer to The London Share Service notes.	
Open Laiset Change High Low Est.vol Open int. LONDON MOREY HATES Sep	NAL SPANISH BOND FUTURES (MEFF)
InterDept Starting 54 - 5 5½ - 5½ 5½ 5½ - 5½ 5½ 5½ - 5½ 5½ 5½ - 5½ 5½ 5½ 5½ 5½ - 5½ 5½ 5½ 5½ 5½ 5½ 5½ 5½ 5½ 5½ 5½ 5½ 5½	Open Sett price Change High Low Est. vol. Open int. 100.60 100.56 -0.27 100.78 100.38 23,913 52,236 ,100.00 100,11 -0.19 100.16 99.95 542 6,068
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Up to 1 1-3 3-5 5-9 8-12 month month months months months months Long Term French Bond Offices (MANF) Dec.	96.01 95.99 -0.06 96.01 95.97 9,409 45,216 95.96 95.96 -0.08 95.90 95.93 5,959 50,906 95.94 95.93 -0.05 95.94 95.90 1,734 34,745
Strikes — CALLS — PUTS — Aus. tender rate of discount on Aug 23, E.5335pc. ECGD fixed rate Sig. Export. Finance. Moles Price Sep Oct Nov Sep Oct Nov up day July 31, 1998. Agreed rate for ported Aug 28, 1998 to Sep 24, 1998, Schemes II & II 120 0.18 0.58 7.08pc. Reference rate for ported Jun 22, 1998 to July 31, 1998. Schemes II & II 120 0.18 0.58 7.08pc. Reference rate for ported Jun 22, 1998 to July 31, 1998. Schemes II & II 120 0.18 0.58 7.08pc. Reference rate for ported Jun 22, 1998 to July 31, 1998. Schemes II & II 120 0.001 - 0.84 France II 1.540 1.22 1.63 2.07 0.22 0.68 1.12 France II 1.540 1.22 1.63 2.07 0.22 0.68 1.12	
1.550 0.60 1.07 1.53 0.60 1.09 1.57 1.560 0.22 0.65 1.09 1.23 1.67 2.13 BANK OF ENGLAND TREASURY BILL TENDER 124 0.04 0.06 - 2.0.73 - 1.570 0.03 0.35 0.75 2.03 - Aug 23 Aug 16 Aug 23 Aug 16 Ext. vol. total, Calls 11,116 Puts 18,823, Previous day's open 25t., Calls 146,321 Puts 168,799.	NAL FRENCH BOND FUTURIES (MATIF) FF:500,000 Open Sett price Change High Low Est. vol. Open int. 128.24 123.80 -0.22 123.40 123.16 26,731 187,223
Provious day's vol., Calls 5,316 Puts 4,837 . Prev. day's open int., Calls 163,224 Puts 140,139 Silks on offer 2500m 2600m Top accepted rate 5,5351% 5,5752% Total of applications 22886m 25004m Average yield Min. accepted bit 29,050 0ffer at next tender 5000m 2600m Min. accepted bit 29,050 0ffer at next tender 5000m 2600m Min. accepted bit 29,050 0ffer at next tender 5000m 2600m Dec 92,004 0ffer 100,000 200 0ffer 100,	121.86 121.92 -0.20 122.00 121.84 2,320 39,700 121.86 121.74 -0.12 121.82 121.86 572 8,982 IMARK GOVERNMENT BONDS
BANK RETURN Allotment at mix. level 50% 6% Min. accept. bid 182 days Sep 81.92 91.90 -0.20 82.00- 91.86 3,096 7,173 55-0-5-1 Wednesday Increase or BANKING DEPARTMENT August 21, 1986 decrease for week	Red Day's Week Month
Liabilities £ £ £ Capital 14,553,000 Public deposits 884,669,554 -95,443,858 Bankers deposits 2,004,291,366 +118,295,278 Bankers deposits 2,004,291,366 +118,295,278 BASE LENDING RATES EMS EUROPEAN CURRENCY UNIT RATES Austria Belgium rates against Ecu on day** can. rate v weekest Ind. Denmark	6.250 05/06 98.6200 -0.240 6.34 6.26 8.50 7.000 05/06 102.6700 -0.330 6.61 6.62 6.82 7.000 12/06 97.8300 -0.520 7.30 7.33 7.57 8.000 03/06 104.7800 -0.320 7.28 7.18 7.36
Reserve and other accounts 3,148,690.493 -45,079,736	BTAN 5.500 10/01 99.6820 -0.270 5.57 5.44 5.51 CAT 7.250 04/06 106.0700 -0.480 6.38 6.35 6.50 kund 6.250 04/06 99.1700 -0.480 6.36 6.24 6.52 8.000 08/06 103.0900 +0.080 7.55 7.51 7.61
1,110 mm and a 1,110	
SSUE DEPARTMENT 6,050,204.413 -22,238,315 Bank of Ireland 5.75 Habb Bank of Kurrelt 5.75 United Bank of Kurrelt 5.75 Frames 6,4608 6,5036 +0,0016 -1,51 0.00 -13 Spain 1.55 Smeden 1.5	11.875 02/05 118.8800 +0.330 8.62 8.70 8.71 8.800 04/06 99.4800 +0.600 8.79 8.82 8.73 6.000 02/05 88.0534 - 7.89 8.01 8.32 8.000 12/00 103-20 -5/32 7.00 8.99 7.12 7.500 12/06 97-19 -11/32 7.84 7.78 7.89
Notes in Banking Department 3.282,445 -2.893,873 Bit Bit of Mid East 5.75 C. Houre & Co 5.75 Yorkshire Senit 5.75 UK 0.798652 0.827429 +0.003428 -5.18 -3.49 - US Treasure 1.140,000,000 +260,000,000 Catheria May 2 College Annual Col	9.000 10/08 107-29 -9/82 7.97 7.88 8.00 ry 7.000 07/06 101.94 -22/22 6.73 6.61 6.86 8.750 08/26 97-89 -33/32 8.93 6.81 7.02 Gold 7.500 04/05 104.5500 -0.360 6.76 6.78 6.98
Assets Other Government securities Other Securities Other Securities Other Securities 14,515,230,722 +1,344,984,602 Other Securities 5,75 Cuttle Bank 5,75 Cutt	tor 22/6/66. Yielde: Local merket standard. Luding withholding lier at 12.5 per cent psychia by nonceadanta) IK in 32/rds, others in decine! Source: MMS International
UK GILTS PRICES SOCIETE GENERALE USD 210,000,00 SUBORDINATED FLOATING RATE NOTES DUE 2002 COM	mmonwealth Bank Australia
Notes Price 5 +4 52m dot pt first	nonwealth Bank of Australia L 123 124 weed in Australia with Benked Bekely
Treat 131-pc 1997## 1023] -2 1,290 Jy2_M22 11.7 1302 1100 14 -2 1,290 Jy2_M22 11.7 1302 1100 Jy2_M22 11.7 1302 1100 Jy2_M22 11.7 1302 1100 Jy2_M22 11.7 1302 1100 Jy2_M22 11.7 1303 Jy2_M22 11.7 1304 Jy2_M22 11.7 13	. \$7,000,000 lated Floating Rate Notes
Exch Plays 1998	hangeable into Dated Floating Rate Notes
Exts 120c 1388	. \$217,000,000 iting Rate Dated Notes due February 1999 nangeable into Undated Floating Rate Notes
Trees 100-pc: 1006 107% 12.7 1,252 m/19 m/19 9.5 1,735 rebessing of RPR to 100 in February 1967. Conversion factor 1967. 10.7 10.0 in February 1967. 10.	\$176,000,000
Trees 14pc 1888-1 1123 6.1 870 Mc2 Mc2 13.5 1906 1888 800 201321 1904 -9 5,100 1822 1923 1925 1935 1888 800 201321	ting Rate Dated Notes due February 2000 nangeable into Undated Floating Rate Notes
These Spc 2021##	est Rate Idated Notes 5.7475% per ennum
Times 7 to 2001 \$\frac{1}{1}\$ = \$95. 0.1 10,750 Me6 Me8 \$2.4 \$851	(LIBOR 5.6875 + .06%) ted Notes 5.625% per anglen
The 1 1 1 1 1 1 1 1 1	(LIMEAN 5.625%) est Period 27th August 1996 to but excluding 27th February 1997
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exists to support people with cancer and their families.

Regd. Charity No. 261017

Agent: Morgan Guaranty Trust Company

JPMorgan

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FINANCIAL TIMES TUESDAY AUGUST 27 1996 COMMODITIES PRICES GRAINS AND OIL SEEDS WHEAT CET SECTION THIS CHIEF AND DESIGNATION THE CHIEF AND DESIGNATION OF THE CONTROL OF T SOFTS Softs continued E COCOA CSCE (10 tonnes; \$/tonne 123.25 +2.15 123.85 120.80 738 4.976 118.40 +2.75 118.00 115.40 829 6.918 117.30 +2.75 118.00 115.00 158 5.083 118.75 43.50 118.75 115.75 50 1.381 118.00 +2.50 118.00 118.50 44 350 PICES CHANGE INGS. LAW 21.65 -0.31 22.05 21.40 26 21.16 -0.29 21.46 20.95 20.89 -0.27 21.02 20.53 20.30 -0.23 20.55 20.18 19.95 -0.22 20.18 19.88 19.66 -0.17 19.75 19.80 82.10 +0.85 82.30 80.80 197 1.208 91.70 +1.05 82.30 90.45 2,413 13,548 91.00 +0.00 91.50 91.00 104 1,542 90.50 +0.45 91.20 90.75 13 1,327 90.00 +0.35 90.65 89.25 1,233 18,366 69.80 +0.20 89.70 89.50 1 977 12,233 89,467 MEAT AND LIVESTOCK PRECIOUS METALS | Librat | Bay's | Dee | 3,623 42,603 2,061 22,015 911 14,092 372 5,034 87 2,588 31 2,875 132.25 +1.15 132.75 128.50 1,443 2,137 122.55 +1.75 122.00 118.1010,471 16,867 116.05 +1.35 116.25 112.25 2,350 4,535 115.00 +1.40 115.00 112.00 776 1,767 114.55 +2.10 113.25 112.00 5 466 113.00 +0.55 113.00 112.30 17 195 Latest Bay's grice change High Leer Ved lat 1.885 –0.095 1.990 1.890 25,194 15,194 1.950 –0.097 2.090 1.945 31,392 31,392 21,392 2000 –0.082 2.200 2.085 14,890 14,890 2.230 –0.041 2.300 2.230 14,920 14,920 2.236 4.0720 2.310 2.250 19,024 13,024 2.210 +0.026 2.245 2.190 7.262 7.282 38,732 138,988 E PLATINUM NYMEX (60 Troy oz.; \$/troy oz.) +1.0 404.5 401.9 1,055 18,481 +1.0 408.5 405.0 173 3,190 +0.9 408.5 408.5 154 2,957 +1.0 - 1 153 +1.0 - 8 2 15 day average ______101.83 101.17 Bi SUGAR "11" CSCE (112,00080s; cents/fcs) 11.85 - 11.87 11.79 4.986 68.641 11.46 +0.01 11.47 11.41 2.403 48.633 11.24 - 11.26 11.20 1,996 17,836 10.85 +0.02 10.88 10.82 1,016 13,005 10.69 +0.06 10.72 10.83 131 7,996 10.51 +0.06 10.48 10.45 18 788 PALLADRUM NYMEX (100 Yroy 02; \$/troy 02) 125.90 +0.90 125.75 125.25 812 3,494 127.00 +1.00 127.00 125.25 808 5.246 128.10 +1.00 - 217.00 129.00 129.00 129.00 668 8,163 90.525 -2 94.525 90.525 282 81.250 -1.975 87.225 83.225 1,578 82.200 -1.55 88.750 83.150 103 82.175 -0.825 84.800 82.200 56 82.100 -1.4 85.500 82.200 4 61.40 -1.82 83.15 60.50.1 60.25 -1.51 61.75 59.70 2 59.00 -1.20 59.80 58.60 58.10 -0.85 58.80 57.75 57.40 -0.80 57.40 57.40 57.25 - 57.25 57.25 - - 2 13 524.0 518.5 20.509 34,878 532.0 528.5 6,833 39,368 539.0 534.5 197 8,651 - - 1 5,513 547.5 547.5 1 4,221 22,460 98,789 The Financial Times

FETT LOW DAMES (**)

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Special Drawing Flights August 28, 1998 Utd Kingdom \$1.05721 Utd States \$0.85715 Germany DM0.48300 Japan Y63.600 European Currency Unit Rates August 28, 1998 Utd Kingdom \$1.223400 Utd States \$0.76667 Germany DM0.53150
Japan Y73.000
Abbreviations: (a) Free rate; (b) Market rate; (c) Official rate; (f) Perside rate (f) Tourist rate (d) Currency feed against the US Desire(f) Floating rate (f) Angolan Readjusted Kvernza devalued on 4/3/95. (2) Two tier rate replaced by Soating
Vendzustan Boliver 22/4/96; Some data derived from THE WM/FEUTERS CLOSING 8/FOT FATES & Senk of Associat, Economics Department, London Tracing Certae. Enquiries: 0/7/1 634 4395.

To obtain a copy of this table by Fax from the Cityline service did 6001 457007. Calls charged at 35p/minute charge rate, 45p/minute at all other times
Minuter. Ancest 28, 1996.

The Financial Times plans to publish a Survey on UK Business Property

on Friday, September 13.

Areas of concern centre around the investment market, user requirements, Privity of contract and an analysis of the Competition between the City & Docklands to attract occupiers.

To advertise and take advantage of the FT's property decision making audience, please contact: Courtney Anderson on Tel: +44 (0) 171 873 3252

FT Surveys

THE PAKISTAN FUND

1996 FINAL RESULTS

Nor the year to July 1995 to 30th June 1996, the net meet value of The Fablacia Fund, estimately 7-50th to 1895 65 whereas the Kancid Stock Enchange Lanks tell by 6-67 in § 18 ollar acum. The Fund's performance was nonerach affected by a number of filippid stocks in the portfolio, the prices of which were made of down considerably. However, the Fund's menegy of congenizating on large, explainments able citis made in the July of a congre, revalidar and theocommunications secons was connect as these stocks constituted in outperform sading the Fund's flocal year, the Fulkinson Empre depreciated further against the US ollar by 13-20, and is expected to continue to remain mades personne this a marked rigidle of the masher of statics and ceparred lettings, the law and order transfer follows budget dishousced late June disappointed to receive and the mack matter was neight impacted accordingly. Furthermore, the matherial corporate Litt, exit shill not be a supply impacted accordingly. Furthermore, the matherial corporate Litt, exit shill not contain the content of the total content of the co

sugger federal bedget atmosphered last June disappointed are easier and the smoot market was sharply impacted procuringly. Furthermore, the susteparted corporate tax cut shall an magazitalize and due to contemps over cost presistents, emproprie constains for 1906 were disregarded. Nevertheless, the market appears to have discounted moust of the had never the portfolio will constitute as the decreased on major fections including field it energy, further and adecommunications the exempts of which see expressed to remain largely resilient ALS Wells

Chairman

FINANCIAL ENGELIGERTS

30.6-96

30-6-95

Net Amer Value

19,673,495

24,510,1040

Net Amer Value	19,673,495	24,510,040	
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[LOSS PER, SEARE]
The calculation of loss per ordinary share is based on the lass for the year of US\$ 126.19
(1999: 198309,700) and 3.721,893 (1994: 4,007,271) ordinary shares to image during the
year calculated on the weighted average basis.

The Board of Directors does not recommend the payment of a final dividently 1994

TAXATION

The company is incorporated in the Cryman islands. Under the taxation laws prevent force in the Cryman islands, no local taxes will be chargeable on any increase, proc capital galos of the company

At 30th June 1996 Sajind Rumi had a beneficial interest to 2,000 shores of the countries of the foreign and th

DISTRIBUTION STATUS

The company was certified as a distributing hand for the purposes of Chapter V of Part XVII of the Income and Corporation Taxes Act 1988 in respect of the period Jiss May 1991 (date of incorporation) to 30th June 1995 is to intended that an application will be submitted to the UK (niand Revenue for certification in respect of the year ended 30th

In the opinion of the Directors, the company has compiled with the Code of Best Practice as not one in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Eong Limited throughout the year ended 50th june 1996, except that the independent non-executive directors are subject to retirement by rotation and re-election at the Annual General Mercing of the company in necontance with the provisions of the

By order of the Board MESSPERSON (CAYMAN) LIMITED SHORTERY

A copy of the annual report and any further information is available from the Austainest Secretary, Meastlering Fund Services (Ania) Limited, 33/F Ania Pacific Finance Tower, Chibanta Haza, 3 Garden Road Central, Hong Kong, Contact: Mr R.G.Machlerson on 2847-9511.

NOTICE OF ANNUAL GENERAL INTETING

NOTICE IS HEREFY (VIVEN that the Annual General Meeting of the Shareholders of

The Paldstan Fund (the "Coupany") will be held at British American Center, Plans 3

Dr Roy's Drive, Grand Cryman, Coyman Islands, Bridsh West Indies on 31st October 1996

at 10.00 Seu when the Billowing ordinary business will be transacted:

1. To receive and consider the financial statements of the Company and the reports the Directors and the Anthons for the year caded 30 June 1996.
2. To restive that no final dividend be declared.
3. To restice the Tan Keng Hock and M. Youns Khun as Directors.
4. To appoint Auditors for the casoing year and so withoutse the Directors to fix the

remmeration.
To transact any other business which may be properly temperated at an annual general meeting.

By order of the Board

MERSPIZESON (CAZMAN) IMPROVED.

Motor:

(1) Proxy forms may be deposited at MecaPicrson (Cryman) Limited, e/o MecaPier Fund Services (Asia) Limited of 33/P Asia Partie Finance Tower, Calibrait Pi 3 Garden Road Central, Hong Kong, no larer than 48 hours before the ti specified above for the holding of the meeting.

(2) Proxytes need not be membras of the Company.

International Trade Finance

International Trade Finance is a fortnightly is newsletter available on subscription, providing information and analysis on trade and project information and analysis on trade and project is finance. Published by FT Financial Publishing it has in-depth coverage of trade funding and credit insurance techniques, developments and opportunities.

For further information and a sample copy of structure information a

Charlotte Green FT Financial Publishing Maple House, 149 Tottenham Court Road London W1P 9LL, UK

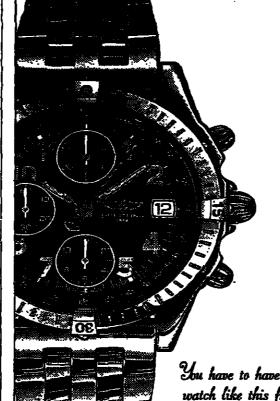
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at a pilot over Kuwait, it hit a child in Leicester.

The Royal British Legion exists to support serving and ex-service men and women, their families and dependents. A total of more than 16 million people entitled to call on us for help. Last year, over 200,000 of them did. Here are a few of the ways that your donations enabled us to provide it.

600 severely disabled people were given a badly-needed holiday.

4,300 people benefited from one of our 3 Convalescent Homes.

1,050 people were able to visit relatives' war graves.

2,800 people made use of our Small Business Loan and Advice service.

50,500 people received welfare grants. These people, and thousands more like them, depend on your continuing support as desperately as we do. If you can help in any way please call us on 0500 1100 11 quoting 812



M-SHOP

STOCK MARKETS WORLD Highs & Lows shown on a 52 week basis 1300 17860 1 Reference Control of the Control of 19.85 2.32 5.18 7.66 2.88 113 1.1 83 29 80 27 103 26 89 3.0 366 1.1 155 1.8 267 2.8 270 2.5 102.34 3.8 Reference of the second of the 284.30 295 77.35 459 347 535.50 538.50 408.25 78.56 145 147 138 700 272 35.50 358 358 Thyse Varia Velta VeW VarYth Velta VW Pi Wellal -1 10,50 -,10 +7 69.144.50 144.50 144.50 157.60 157.60 157.60 157.60 157.60 158.50 159.50 141 1824 Property of the control of the contr **EUROPE** 73.43 755 1,423 55.30 54.55 385 31.29 375 680 109 400 681 391 ADSTRIA (Aug 26 / Schi) +80 (1925) -80 (480) +450 (421) +50 (421) +50 (421) +50 (421) +750 (421) +750 (421) +1750 (421) +1750 (421) +1750 (421) 44 (411)888014 (44) 1,186 435 814,95 622,628 688,90 2,928 1,926 1,926 1,926 687,90 161 1,326 887,90 161 1,326 704,50 1,350 3.5 172.20 1.2 416 2.3 450 3.7 480 3.7 480 2.0 2,350 0.5 87.35 1.2 278 8.3 478 Amenyi Am 54、44100144 Courses Detecto Ergretik Hellisto Hercan Hercan Isticos Igniticis Natista 7,300 2,720 14,238 8,510 2,565 2,960 4,500 4,270 14,300 \$27.000 \$2.000 \$ 11,509 5,500 5,500 5,500 5,500 5,500 5,500 1,191 1,200 1,191 1,190 1 Assista Annia Baca Con Annia Baca Con B 5,010 1,470 1,484 5,480 1,484 1,484 1,484 1,484 1,484 1,484 1,184 1, Antonio Augilini Albanio Augilini Albanio Augilini Albanio Alb 1.80 104.54 14.30 14.35 15.30 14.35 15.30 14.35 15.30 14.35 15.30 15.30 15.35 15.30 15.35 POLISED (Aug 26 / Zloty) -15 -25 -3 16,000 6.6 6.7 = 1968年,1979年,1979年,1979年,1979年,1979年,1989年,1989年,1989年,1989年,1989年,1989年,1989年,1989年,1989年,1989年,1989年,1989年,1 1980年,1980年,1980年,1980年,1980年,1980年,1980年,1980年,1980年,1980年,1980年,1980年,1980年,1980年,1980年,1980年,1980年,1980年,1 1980年,1980年,1980年,1980年,1980年,1980年,1980年,1980年,1980年,1980年,1980年,1980年,1980年,1980年,1980年,1980年,1980年,1980年,1 198.50 2,899 1,239 403.20 403.20 403.20 403.20 345.50 208.30 2288.30 208.30 1,750 138.40 376.80 102.50 102.50 102.50 102.50 203. Segona Selector Selec -18 *388 188 1.4 ... -1,235 950 ... 52 *4,185 2,485 1.4 21.8 -32 *4,185 2,485 1.4 21.8 -325 247.50 5.3 8.0 +18 2,374 1,550 4.0 8.7 +28 1,900 1,010 ... 10.4 -30 7,130 4,150 9.9 10.0 350 1,040 3,570 301 2,374 1,108 6,650 -25 1,850 2,175 2,8 -25 0,944 3,332 3,0 -25 0,944 3,332 3,0 -25 2,700 1,350 3,5 -175 22,700 1,350 1,2 -175 2,700 1,350 1,2 -2,654 1,500 1,8 +60 4,575 1,725 4,0 -100 9,800 3,825 2,9 -2,57 3,975 2,990 0,7 -100 8,250 3,100 3,7 4,600 5,400 1,425 22,950 9,500 4,375 3,375 3,500 540 293 205 337 337 710 650 147,000 445,000 211,000 212,000 318 Global Distribution. Appais
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MONDAY

Korean presidents' trial

The trial for sedition of South Korean presidents Chun Doo-hwan and Rob Tae-woo is scheduled to end. Prosecutors are expected to ask for the death penalty, although this is thought an unlikely outcome when the court announces the sentence in mid-August. The two former presidents and 14 other defendants are on trial for conducting a 1979 army coup and ordering the bloody suppression of a 1980 pro-democracy demonstration in the south-west city of Kwangju.

Sao Paulo curbs car use



Brazilian motorists in traffic-logged Sao Paulo, the largest and most polluted city in South America, must leave their cars at home one

day a week from today until the end of the month. Cars will be grounded for one working day in five according to the final number on their licence plates. The move has upset some residents, who face a fine of R\$100 (US\$99) for non-compliance.

Retuning for 10m videos Work starts on retuning nearly 10m videos and television sets in the UK, in preparation for the launch of Channel 5. the terrestrial television channel, on January 1. The company is to employ 7,000 engineers and estimates the cost of retuning will be £55m. Channel 5 is backed by a consortium including Pearson (owner of the Financial Times) and United News & Media.

Bosnian poll deadline

Electoral registration closes for Bosnians living outside the former Yugoslav republic who intend to vote in the September elections. The Organisation for Security and Co-operation in Europe, which is organising the poll, extended the deadline in order to allow as many Bosnian refugees as possible the chance to register. With 1.4m of the country's 3.2m voters living abroad, the election is seen as a chance to help reunify Bosnia after four years of war.

Building society subsumed

After 150 years of northern thrift, National & Provincial, until today the UK's seventh-largest building society. disappears as a brand as it is formally subsumed into Abbey National, the bank which took over the society for £1.35bn. The N&P name will be replaced with the Abbey banner on 200

Public holidays

Australia (New South Wales and Northern Territory), Bangladesh, Canada (except Quebec), El Salvador, Irish Republic, Scotland, Bahamas,



Full support: Boris Yeltsin is sworn in as Russlan president on Friday, but attention will be focused as much on his health as the pomp

Barbados, British Virgin Islands, Dominica, Jamaica, Grenada, Zambia,

TUESDAY

president.

Buenos Aires gains mayor Fernando de la Rúa, a member of Argentina's Radical party, takes over as the first elected mayor of Buenos Aires after his resounding victory in May elections over the Peronist party, which governs at national level. Mr de la Rua, who may use the post to launch a presidential bid in 1999, inherits a wealthy city, but one plagued by corruption and mismanagement Previous mayors were appointed by the

Japan bomb anniversary In the week of the 51st anniversary of the dropping of atomic bombs on Hiroshima and Nagasaki, the Japanese mark the occasion with traditional solemnity. Mr Ryutaro Hashimoto, the prime minister, is to attend services in Hiroshima today and in Nagasaki on Friday. Two rival anti-nuclear groups hold their annual World Ban the Bomb conventions in the two cities. The Communist-backed Japan Council against A and H Bombs and the Socialist-aligned Japan Congress against A and H Bombs split in the 1960s over differing attitudes towards

Olympic show in Athens

the Soviet Union's atomic bomb tests.

Athens stages an extravagant official welcome for Greece's eight Olympic medallists at Atlanta. The country is celebrating its best performance in the Olympics with an event which will

conveniently help Athens advertise its attempt to stage the games in 2004. A torch lit ceremony will be held at the marble stadium where the first modern cames were held in 1896.

UK water company in court



The UK Department of the Environment takes South West Water, one of the UK's nine privatised water and sewerage

companies, to court for the alleged contamination of its water supplies. The case stems from an incident last year when 575 people in south Devon experienced stomach upsets caused by an outbreak of cryptosporidiosis.

Rowing World championships, Strathclyde,

Scotland (to Aug 11). Equestrianism

Dublin Horse Show, Ireland (to Aug

Public holidays El Salvador, Bolivia, Grenada, United

Arab Emirates, British Virgin Islands. WEDNESDAY

ECONOMIC DIARY

Gambia democracy vote Gambians vote on a new constitution

to prepare for the return of democratic

rule. Captain Yaya Jameh, who leads

the country's military regime, has promised to lift a ban on political parties following the poll in order to prepare for a presidential election on September 11. However, he has warned political aspirants they will be 'executed" if they cause trouble in the run-up to the presidential vote. The Commonwealth says it expects the reforms to lead to democracy by the end of the year. Gambia has been under military rule since July 1994.

Communists reorganise Russia's Communists are holding a congress in Moscow to remodel themselves as a coalition of communi and nationalist forces, following their candidate's loss in the presidential election last month. The organisation is expected to form a broad-based opposition to President Boris Yeltsin, and intends to participate in local authority elections later this year.

UK inflation report

The Bank of England publishes its quarterly report on the outlook for UK inflation. Eddie George, the governor of the Bank, disagreed with the chancellor's decision to cut interest rates to 5.75 per cent on June 5, so analysts will be keen to see how concerned the Bank is now that inflation is set to run above target in two years. The report will also be scrutinised for hints about the Bank's views on the Budget in November. after a warning from the International Monetary Fund that there was no scope for tax cuts.

Public holidays

Colombia, Ivory Coast, British Virgin Islands, St Lucia, Western Samoa.

THURSDAY

Argentine strike called

The CGT trades union congress is calling a general strike to protest against measures almed at cutting workers' pay, through ending tax exemption on luncheon and supermarket vouchers and trimming wage supplements. Domingo Cavallo, the economy minister who proposed the measures, has since been sacked, but Roque Fernández, his successor, has wowed to much through the measures. The governing Peronist party has been working behind the scenes to stop the strike but, short of scrapping the controversial measures. is thought to have little chance of

Cricket

Second Test, England v Pakistan, Headingley, Leeds (to Aug 12). .

Golf

US PGA championship, Louisville, Kentucky (to Aug 11)."

Public holidays Iraq, Tanzania.

FRIDAY

Yeltsin inauguration In the first ceremony of its kind, Boris Yeltsin is to be inaugurated as president of Russia after his decisive victory in elections last month. Senior foreign dignitaries and the presidents of most of the Commonwealth of Independent States will watch Mr Yeltsin sworn in for a four-year term. But all eyes will be looking for signs to gauge the health of Mr Yeltsin, who has not been seen in public since the elections. The ceremony is expected to be a lavish affair with a new anthem composed for the occasion.

Public holidays Singapore, South Africa, Ecuador.

SATURDAY 10

Ulster Protestants march Northern Ireland faces further sectarian clashes when local Catholic nationalists seek to oppose a Protestant march by the Apprentice Boys in Londonderry, marking the siege of the city by the Catholic forces of King James II in the 17th century. Local politicians and churchmen have attempted to mediate a compromise, to avoid the ugly scenes last month when a police decision to allow a Protestant Orange march through a Catholic area resulted in province-wide rioting.

New president for Ecuador

Abdala Bucaram takes office as Ecuador's president after his surprising eight-point victory in the July 7 election. The 44-year-old populist ran a | Fax: (+44) (0)171 873 3194

virulent campaign, with attacks on the concentration of political and economic power, promises of more houses, basic services, health and education, and a continued role for the state as employer. His platform won him the support of poorer voters, but unnerved businessmen and foreign investors. These have since been reassured by signs of continuity with the economic policy and personnel of the outgoing government, which had slowed annual inflation from 55 per cent to 23 per ænt.

Athletics

IAAF grand prix meeting, Monte Carlo.

SUNDAY

Perot seeks nomination Ross Perot, the Texan billionaire, and Richard Lamm, the former Colorado state governor, seek the nomination of the Reform party as US presidential contender. The two candidates put their case to a convention in Long Beach, California, after which voting takes place by a postal ballot of the party's 1.3m members. The result is expected to be announced at a second convention on August 18.

Edinburgh festival opens



The 50th Edinburgh International Festival opens. Among the artists appearing over the next three weeks are the Mark Morris

and Pina Bausch dance companies and the Russian National Orchestra. In the theatre programme there are new productions by Robert Wilson Edinburgh also plays host to the Fringe – with more than 9,000 performers in 14,000 productions – a film festival and a television festival.

Mugabe marks Heroes' day Robert Mugabe, the president of

Zimbabwe, marks Heroes' day with his customary address. Surrounded by giant bronze statues and panels, Mr Mugabe has previously used the occasion to launch attacks on whoever is unpopular with the ruling party. Last year he denounced homosexuals as "lower than dogs and pigs" and is expected to return to the issue following a ban on gay-rights organisations last month.

Athletics

Bupa international meeting, Sheffield, England.

Hungarian grand prix, Budapest.

Public holiday Zimbabwe.

Motor racing

Compiled by Nick Mayhew-Smith.

Other economic news

Monday: UK factory output is thought to have risen in June, having stagnated during May as companies shed stocks of unsold goods. Inflation in Italy is thought to have edged down a little last month.

Tuesday: Unemployment in western Germany is forecast to have risen a little faster last month than it did in June, Growth in Canadian labour income is believed to have slowed in May. Appual

Wednesday: growth in US consumer credit is expected to have decelerated in June, with credit card use remaining under downward pressure. Retail sales growth in the Netherlands is thought to have slowed in June.

Thursday: The board of the Swedish Rikshank meets. The unemployment rate in Australia is thought to have risen last month, with the same true of Denmark in June. Mexico's trade surplus should meanwhile have risen in June.

Friday: US producer price inflation is forecast to have continued accelerating in July. Unemployment is thought to have been stable in Switzerland.

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Моп	UK .	Jun industrial production*	0.1%	0.6%	Fri	Japan		olesale price index*	0.1%	0.0%
Aug 1	UK	Jun industrial production**	1.8%	1.3%	Aug 9	Japan	Jul Overall who	olesale price index**	1.3%	1.4%
	UK	Jun manufacturing output*	0.3%	0.0%		Japan	Jul domestic v	vholesale price index		-1.0%
	UK	Jun manufacturing output**	0.1%	0.0%		Japan	Jul machinery	orders ax elect & ships	10.8%	18.9%
	UK	Jul MO"	0.6%	0.9%		Јарал	Jul machinery	orders ex elect & ships*	-2.7%)	-5.2%
	UK	Jul MO"	7.0%	7.3%		Switz	Jul unemployn	nent rate	4.4%	4.4%
	US	Jun leading indicators	0.39%	0.3%		Canada	Jul employme	nt)*		-0.4%
	US	June home completions	1.36m	1.37m		Canada	Jul unemployr	nent rate	· ·	10.0%
Tues	Germany	Jul unemployment (West)†	4.5k	7k		US	Jul producer	price index .	0.2%	0.2%
Aug 6	Germany	Jul unemployment (East)†	-1k	-3k		US	Jul prod price	ind ex food and energy	0.2%	0.2%
	Germany	Jul unemployment (pan Ger)†	6k	· 3k		Canada	Jul housing st	arts, units		134k
	Germany	May employment (West)†	8k	12k		ŲS	Jul bank cred	it		1.6%
	Germany	Jul vacancios (West)†	- 	3k		US	Jul Cand I k	ans		4.4%
	Germany	Jul short time (West) not†		-8k	During t	he week				
Wed	Denmark	May trade balance ex-shipments not?	Dkr2.3bn	Dkr1.9bn		Germany	Jun retzil sale	5	-1.0%	-3,0%
Aug 7	Denmark	May current account	Dkr-0.5bn	Dkr1.0bn		Germany	Jun retail sale	* †	0.0%	-1.0%
	US	Jun wholosale trade		unch		Germany	Jun menufacti	ring orders (pan Ger)	-0.3%	-0.7%R
	US	Jun consumer credit	\$6.0bn	\$4.7bn		Spain	Jul registered	unemployment	<u> </u>	14.2%
	Јарал	Jun current account IMF not†	Y695bn	Y902bn		Germany	Jul final cost	of living (West)*		0.1%
	Japan	Jun trade balance IMF not†		Y1,155bn		Germany	Jul final cost	of living (West)**		1.2%
	Japan	June foreign bond investment		Y971bn		Germany	Jul final cost	of living (pan Ger)*	0.4%	0.1%
Thurs	Denmark	Jun unemployment	8.9%	8.8%		Germany	Jul finel cost	of living (pen Ger)**	1.6%	1.4%
Aug 9	US	M1 woek anded July 29	\$6.0bn	\$5.4bn		Germany	May trade bal	ence	DM8.5bn	DM8.2bn
=	US	M2 week ended July 29	\$8.5bn	\$6.7bn		Germany	May current a		DM-1.100	DM-0.9bn

U.S. \$200,000,000



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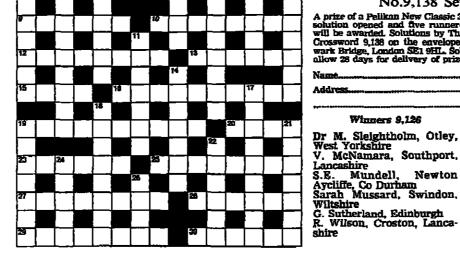
 1 Stock controller's pen (6)
 4 Scope for capital growth (8)
 9 Change colour' (6)
 0 Old soldiers scared to get involved (8)
- 12 Nevertheless, netting first and last service (8)
 13 Information a girl found in Switzerland (6)
- 15 Wrestling with a problem. love? (4) 16 The greatest amount of pride? (5,5)

 19 Work on site can cause obstruction (10)
- 20 Slight damage to essential part of computer (4)
 23 One's doctor gives one two notes to take in (6)
 25 Main line terminals? (8)
 27 Music of the Depression?
- 28 Rob irregular corporal of horse (6)
 29 Intend to go into action despite loss of rank (8)
 30 Contact these to see touching spectacles (6)
- DOWN

M3 week ended July 29

UŞ

- 1 Lettuce goes down for pets 2 Did it show the way to
- 3 Unwilling to make up a piece of poetry (6) 5 It's still a female name (4) Press for a reduction? (8) about five. Like an egg? (5) 8 It involves a rubber as
- games need revising (7) 11 Comes into service? (7) Gives voice and breaks the tension (7) 17 The followers stand here
- when assembled (9) 18 She is a beautiful Italian (9) Possibly time to take a large number left out (7) 21 Dawn's arms (7) 22 Rare tiffs with a sweethcart
- Variety of amber or yellow-ish fish (5) 26 Nothing more than two notes (4)



\$7.5bn

\$7.0bn

MONDAY PRIZE CROSSWORD No.9,138 Set by DANTE

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday August 15, marked Monday Crossword 9,138 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday August 19. Please allow 28 days for delivery of prizes.

"month on month, "year on year † seasonally adjusted

Winners 9,126 Dr M. Sleightholm, Otley, West Yorkshire V. McNamara, Southport, ancashire .E. Mundell, Newton S.E. Mundell, Newton Aycliffe, Co Durham Sarah Mussard, Swindon,

Solution 9,126 ELECONIAS EMPIRE DECONIAS EMPIRE DECONIAS EMPIRE O E G P H D ADULTERATE S A A H A D E S

Statistics, courtesy MMS International

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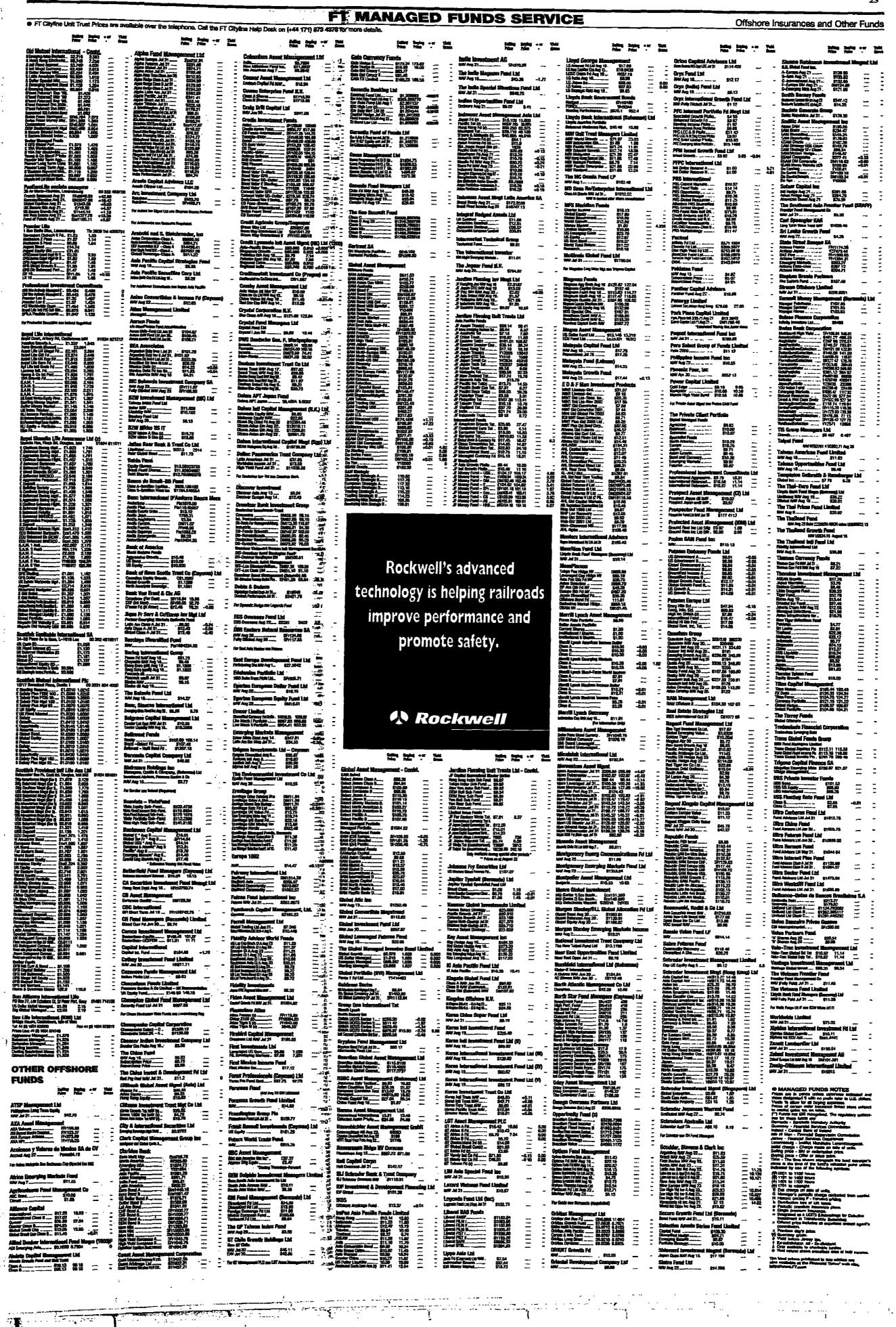
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bond market downwards

Wall Street

US stocks followed the bond morning on concerns that the Federal Reserve might move to push interest rates up next month, writes Rich-

ard Tomkins in New York. Industrial Average was down 32.18 at 5,690.56, the Standard&Poor's 500 was off 3.62 at 663.41, and the American Stock Exchange composite was 0.48 lower at 560.46. NYSE volume was light at 163m shares.

Bonds extended Friday's losses because of continuing worries that the economic slowdown was not proceeding as expected, leading to the possibility of an increase in interest rates at the next meeting of the Federal Open Market Committee.

Some relief came from the figures for existing home sales in July, which showed a decrease of 0.5 per cent. This indicated that higher mortgage rates, which have been pushed up by rising bond yields, were dampening economic activity.

There was a bounce-back in tobacco stocks prompted by a favourable verdict in an Indiana court after Friday's close. Philip Morris was up \$2% at \$90%, an increase of 3 per cent, and RJR Nabisco was up \$1% at \$26%, an

increase of 5 per cent. However, President Bill Clinton's announcement of a crackdown on cigarette advertising prompted worries about profits in the billboard sector. Universal Outdoor was down \$\% at \$24\%.

munications by WorldCom in an agreed bid worth \$10bn in WorldCom stock saw MFS Communications rise \$9 to market down yesterday \$43%, an increase of 26 per cent, while WorldCom tumbled \$4% to \$22% on concerns that the acquisition would dilute earnings per share.

Elsewhere, Coca-Cola fol-At 1 pm. the Dow Jones lowed the market downwards, losing \$1/4 to \$50%, but PepsiCo bounced back a little from last week's declines, posting a \$% increase to \$31%.

Canada

Toronto highlighted banks, with interim reports imminent, and golds as the TSE 300 composite index eased 2.72 to 5,190.28 at noon. Volume fell from 38.75m shares to 33.5m but Scotiabank traded in 1.51m shares as it rose 40 cents to C\$34.20 and Kinross, up 25 cents to C\$11.25, in 770,000.

There was action in indus trials, too, as Rogers Tele-communications said that its chief financial officer had resigned to "pursue other interests". The B shares were off 30 cents at C\$9.75, a new vear's low.

SOUTH AFRICA

Some of the best gains yesterday were seen in gold, miners and financial shares, although overall activity was modest. Industrial shares struggled to retrace losses in subdued trade.

The overall index was off 6.7 at 6,557.5, industrials fell 9.5 to 7,724.3 and golds were up 19.1 to 1,759.1. Malbak was up 80 cents or 4.2 The takeover of MFS Com- per cent at R19.90.

Mexico City eases on profit-taking

MEXICO CITY, although activity was generally very low. The IPC index was down 5.83 at 3,358.54 at mid-

per cent in dollar-adjusted cles and reinforce the genlow on July 15, writes Leslie

The country is now becoming the favourite regional destination of emerging market investors as it comes out of recession, and the governausterity to policies aimed at

A number of factors account for the rally, brokers say. First of all, the rebound in the US equity market and steady US inter-

been the improvement in the domestic economy.

Mexico is returning to 1994 levels of economic activity much more quickly than the consensus expected a year ago," says Mr Jay Pelowsky at Morgan Stanley. "In addition, growth is spreading out to include construction, which has been the biggest

Most economists believe that the government will

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of snos of stock

France (95).

Ireland (16)

Japan (481)

Mexico (19).

Norway (35) Philippines (22).

Spain (37)

Europe (707).

North America (743).

long Kong (59)

FT/S&P ACTUARIES WORLD INDICES

Change %

417.61 181.46 273.24

73.72 142.09

287.59 62.11

310.86

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President Ernesto Zedillo, who delivers his state of the nation address on September is expected to outline

remaining months of the ity into the money markets

However, Mr Felix Boni,

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59.53 69.58 69.87 171.44 193.33 272.24 275.84 310.84 261.26 223.48 252.00 323.41 122.17 137.77 169.58 246.97 278.51 351.95 173.38 195.51 188.43

The Bovespa index was off 789 at 61,238.

174,74 139,03 164,66 330,03 163,05 248,59 198,57 152,39 135,95 434,62

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209,03 185,98 267,20 113,81

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Dow follows Profits and weekend criticism hit Lufthansa

Lufthansa lost another DM1.20 at DM208.80 in FRANKFURT, extending its decline to a fifth since it profits fell 37 per cent at the half-way stage and, while it forecast a second half recovery, aspects of the flag airline's pricing and marketing policy also came in for criticism over over the weekend.

The broad market mean-

while, was looking at declines in the dollar, bunds and the Dow, and the Dax index responded with a fall of 7.70 to 2,554.42. Dealers said that the absence of the London market on a day's holiday had dulled activity: turnover showed the effect, falling from DM4.8bn to only DM3bn

SKW Trostberg, the speciality chemicals offshoot of Viag, led the day's Ibis winners with a rise of DM1.85, or 3.5 per cent to DM39.40 on its acquisition of the Zurichbased MBT, a construction chemicals group, from the Swiss major, Sandoz, SKW also announced a 9 per cent rise in first half operating

Back on the losing side, Linde. Europe's leading forklift builder, fell DM6 to DM931. Analysts were expecting pre-tax profits at

the group to rise between 11 and 20 per cent in today's interim report.

PARIS entertained peaked four months ago; rumours that there might be a FFr1,400 per share buyout offer for Roussel Uclaf from Hoechst of Germany, the majority stake holder. Roussel's shares railied FFr65 or 6 per cent to FFr1,165.

A spokesman for Roussel firmly denied the rumour, which appeared to have been generated by an item in the weekend press. Hoechst has a 55 per cent stake in the French company. The CAC-40 index settled

off 0.40 at 2,020.42. Turnover was fust FFr1.7bn. Scor gained FFr2.80 or 1.4

per cent to FFr197.80 on good first half sales, but Seita dipped 20 centimes to FFr208.30 as a domestic broker dropped the tobacco company from its recommended list. AMSTERDAM was enliv-

ened once again by Nutricia. There was no stopping the food company's shares; they raced forward another Fl 4.10 to F1214.10 as some investors caught up with the company's positive half year results, released last Thursday night, as well as its at F151.00. upbeat forecast for the rest Gist-Bro of the year. Since the results

lied by nearly 12 per cent. The AEX index, in contrast, eased 4.54 to 556.19.

KPN, the telecommunications group, was a casualty of profit-taking following Friday's announcement of an 8.5 per cent rise in profits at the interim stage. The shares fell Fi 1.90 to Fi 58.70 in high volume of 3.3m

IHC Caland, the shipbuilding and engineering company, was also confident about prospects for the rest of the year, after releasing half year figures yesterday. The stock dipped F12.40 to F180.70, but since the start of the year had gained 60 per cent at yesterday's close. Although the half year results were slightly below analysts' expectations IHC forecast a 20 per cent

ings over the 1995 period. Another engineer, Stork, was carried through to a session high of Fl 51.90 after announcing late on Friday that its Fokker Aviation division had won a major order. But in sluggish trade the shares closed the day with a gain of just 20 cents

increase in full year earn-

Gist-Brocades, the biochemicals and food group, was top 50 cents at F155.80 ahead of six month figures which were expected to become available on Thursday. Analysts were forecasting ag improvement in profit

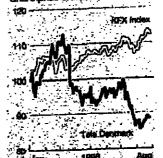
some 15 per cent.

ZURICH moved gingerly into a big week for results. Roche certificates fell SFr50 to SF19.430 ahead of its figures foday, and Ciba registered by SFr5 to SFr1,558 in advance of an interim report tomorrow. Sandoz, due to merge with Ciba into Novartis, reports on the same day. its shares rose by a franc to SFr1.465 but this, according to analysts, may have been due to the sale of the group's MBT subsidiary to SKW

Trostberg.
The SMI index fell 10.7 to 3,714.7 th low volume. Swiss Re Stvanced SFr5 to SFr1,20, said that it would not comment on rumours that it was interested in the Mercaptile & General (M&G) reinsurance unit of Pruden-tial of the UK, but added there would be clarity the situation in a few

MILAN fell sharply as wor-ries about the political situa-tion becan to re-surface. The Mibtel jost 120 or 1.2 per cent to 9,600 while the Comit fell 5.66 or 1 per cent to 602.82.

Share price & index (rebased)



But traders remarked that volume was very low. The insurance sector was

unpopular as investors began to speculate about the possibility of negative short-term prospects. RAS fell L185 to L13,615, while Generali gave up L450 to L34.350. Other fallers included ENI,

down L110 to L6,695 and Ftat off L65 to L4,725. MADRID saw its lowest turnover of the year, a mere

Pta10.5bn as the general index eased 2.14 to 355.31. Repsol fell Pta35 to Pta4,040 after four of its workers died when a boiler exploded at its Puertollano

COPENHAGEN analysts mulled over the prospects for upcoming progress reports, and a number of them were less than enthusiastic: lower profits were seen for East Asiatic, which duly fell DKr2.15 to DKr114.85; and for Tele Danmark, an underperformer since the early spring of this year, which was unchanged at DKr275 ahead of toniorrow's half-year figures.

The KFX index, which had been bobbing around near its all time high, fell 0.44 to 119.36 in turnover of DKr773m. A result on the day, combining a slump in half year profits with a forccast of a higher full-year result at NKT, the wire and cable maker, left NKT DKr7

lower at DKr300. HELSINKI had its ups and downs. Up went Fiskars, the consumer goods group, FM13 better at a new year high of FM303 on higher than expected half year profits; but down went the wholesaler and retailer, Kesko, FM1.80 lower at FM73 as a block of 2.5m shares worth FM182.5m went through the market. The Hex index rose 4,22 to 2,131.31.

Written and edited by William

ASIA PACIFIC

Seoul in turmoil on sentencing of corporate heads

The sentencing of a number of leading business figures left SEOUL in turmoil. While the imposition of jail sentences on the chairman of Samsung and eight other corporate bosses came after the close of trading, the composite index anticipated the worst, losing 15.24 to 766.89, its lowest level for 33 months. Volume was a low 18m shares.

Mr Lee Kun-hee, the head

of the Samsung group, wasfound guilty by the Seoul district criminal court, along with eight others, of bribing Mr Roh Tae-woo, the former president. Mr Lee was given a two year sentence suspended for three years, and most analysts felt that it was unlikely that he would be imprisoned. However, the chairman of the Daewoo group, the honorary chairman of the Hanbo Group, and the chairman of the Jinro group were each sentenced to a jail term of two

of Won62,000, while Samsung Company, the group's trading division, lost Won700 to Won11.900.

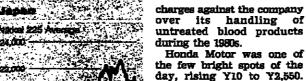
Brokers felt that the loss in Samsung Electronics could also be attributed to worries about a decline in the worldwide demand for semiconductors.

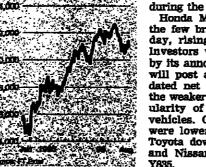
The insurance sector was one of the hardest hit, losing nearly 5 per cent as a group on rumours that the government would investigate those companies said to be involved in the creation of the slush funds for two former presidents.

Samsung Fire & Marine insurance fell Won19,000 to Won402,000 and LG Insurance dropped by its daily maximum of Won3,800 to Won59,600.

Activity eased ahead of Wednesday's release of the

US





Bank of Japan's business confidence survey. The Nikkei average fell below 21,000 for the first time in six sessions as investors adjusted small lot positions, writes Emiko Terazono in Tokyo.

The 225 index fell 345.06 or 1.6 per cent to 20,883.74 after moving between 20,879.72 and 21,212.72. The Topix index of all first section stocks fell 24.43 to 1.582.87 Samsung Electronics fell and the Nikkei 300 lost 4.67

Volume fell to 213m shares to the lowest level of the year, against Friday's 283m as investors refrained from activity ahead of the central bank's release of the tankan, or the quarterly survey of business sentiment on

Wednesday. Investors were also cautious ahead of Thursday's offering price for West Japan Railway. Position adjustments by domestic institutions on the final trading day for August settlements prompted technical selling. Declines led advances by 948 to 133 with 126 issues

remaining unchanged. Green Cross plunged Y39 to the year's low of Y417. The stock was the second most beavily traded of the day; some investors had started to sell the stock short on the prosecutors investigations, which started last week, of criminal

159.15 183.85 148.16 152.86 353.51 360.77 281.96 288.80 187.98 252.84 194.87 195.30 139.98 183.95 138.75 168.49

267.60 312.14 251.13 274.20 114.13 177.01 148.86 157.90 141.18 190.57 186.51 171.63 266.77 269.52 222.36 222.36 153.42 194.86 190.65 171.40 248.62 296.88 243.59 254.08 145.73 191.85 167.36 172.83

177.29 213.05 195.81 186.46 238.31 247.55 212.80 212.95

charges against the company over its handling of untreated blood products

the few bright spots of the day, rising Y10 to Y2,550. Investors were encouraged by its announcement that it will post a record consolidated net profit, thanks to the weaker yen and the popularity of its recreational vehicles. Other car stocks were lower, however, with Toyota down Y20 to Y2,680 and Nissan falling Y26 to

Japan Tobacco lost Y10,000 to Y799,000 on the move by the US government to treat nicotine as a drug and to control cigarette advertising. Some investors feared that

JOTTER PAD

into equities and the All off, and the banking index the US decision could affect sales of digarettes in Japan. Supply concerns hit the banking sector, with some from A\$740m to A\$617m. The aluminium producer, banks stepping up their funding programmes in order to meet international

set by the Bank of International Settlements, Sakura Bank lost Y50 to Y1,030. In Osaka, the OSE average fell 315.04 to 21.895.85 in vollost 12 cents at A\$19.58. ume of 42.7m shares, Murata Mfg, a machinery maker, fell Y100 to Y3,980 on selling by

individual investors. Roundup

SYDNEY's bond market took a mauling after the weakness in US Treasuries last Friday, this flowed through

capital ratio requirements

Ordinaries index fell 10.8 to 2,282.1 in turnover down

Comalco, tumbled on sharply lower first half profits, losing 38 cents at A\$7.10 after a 48 per cent drop in net profits and an interim dividend cut from 12 cents to three cents. CRA, which owns 70 per cent of Comalco,

BANGKOK gave up 1 per cent, the SET index easing 11.29 to 1,095.44 in turnover of Bt1.9bn. The uncertain 21.49 to 2,160.03. political situation remained uppermost in the minds of investors, with the coalition government due to face a censure motion next month.

Finance stocks were sold-

declined 1.5 per cent. Thai Farmers Bank lost Bt3 to Bt172 and Krung Thai Bank fell Bt4 to Bt107.

National Fertiliser, which made its market debut, closed at Bt9.90, a 38 per cent discount to its IPO price.

SINGAPORE switched interest from second line issues to Malaysian over-thecounter stocks, but many institutional buyers were absent due to the closure of Hong Kong. The Straits Times Industrial index fell

KARACHI saw selling by speculators as major investors stayed away because of political and economic uncertainty. The KSE 100 index fell 10.95 to 1,431.17.

Profit taking continued in begin to relax its austerity programme from now on.

The market has risen by 19 more growth-oriented politerms since it hit a mid-year eral mood of optimism.

encouraging growth.

est rates have helped. But more significant has

What is important is that

The finance ministry has a will aim to spend in the year, while the central bank intends to inject more liquidby reducing reserve require-

an economist with Midland James Capel, cautions that it may be a while before a healthier economy begins to improve the performance of companies, the results of which were disappointing in the second quarter.

"Corporations are not yet reflecting the rally we are seeing in macro-economic figures," he says. Nevertheless, he expects the financial and retail sectors will begin to show better results with the rebound in the economy. SAO PAULO was off 1 per cent by midday as a number of investors began to worry about a public debt problem

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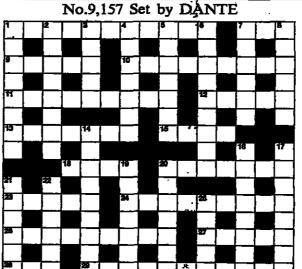
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The World Index (2421)......212.50 -0.1 202.71 145.72 164.33 181.92 -0.2 2.14 212.75 203.67 145.88 165.48 162.35 214.95 188.71 189.38

CROSSWORD



1 It assists the diver to go up rather than down (11)
7 An act of duplicity (3)
9 Marx's fashionable circle

10 Retaining a school punish-11 Western hero with superla-

tive steed (9)
12 The English opening used in tournament (6) 13 Con man returns in dis-grace (7)

15 An opening possibly lost (4)
18 Employer provides a course in the City (4)
20 Revive with a little relaxation and a mineral (7) 23 Innocent one in church body (5) Mid-off's just terrible (9) 26 Turned up in France (9) 27 In decimal it represents 1 3/

4 pints (5) 28 Performed - and can return for an encore (3)
39 Be good enough to give policemen hearty meals (4.3.4) patient compilation (4.4)

2 A Cortina's changing gear in: wet weather (8) 3 Order chap comes up holding a ring for a girl (5) Work as a printer's lad and topment others (7) sitter changes dres

6 Relaxing one's guard is risky (9) 7 A.club motorist (6) Decorated about noon, has te deliver a speech (6) Wrote a quick note and left

ig a hurry (6,3) 16 Papers thrown at a union meeting (8)

17 Spring after spring, it never fails to surprise me (4.4)

19 Denial of a fault in the

show-ring (7)
20 Train me to change gear (7)
21 A lady well-liked on the network (6) Describing Jill when cut off by Edward (6) Draw a hole (5)

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143.83 163.13 168.49 192.24

244.02 233.60 167.32 189.77 233.60 245.92 218.58 218.58 273.09 261.43 167.25 212.36 273.09 276.47 227.31 227.31

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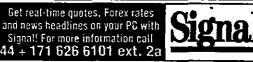
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Talermo plays harder at Amer

Former professional skier Roger Talermo has started making his mark in charge of Amer, the Finnish group that has experienced trouble since it acquired a clutch of big names in the sporting goods business, including Wilson, Mac-Gregor golfing equipment and Atomic, the ski specialist.

Despairing investors feared that the Helsinki-based Amer, which reported a heavy loss in the first four months, was incapable of managing such a competitive consumer business, based as it is chiefly in the distant US. Wilson's high profile sponsorship stars like Michael Jordan, Pete Sampras and Steffi Graf seemed to inhabit another world from the group of obscure Finnish academic institutions that control Amer.

In a bid to take a grip Talermo has made himself chief executive of Wilson Sporting Goods, the group's biggest unit (based in Chicago): the six-month temporary pasis on which Jim Reed Anderson held it has ended. Talermo, a Finn who moved into the top spot at Amer from Atomic in May, has

also promoted Jim Baugh, previously head of Wilson's racquet division, as president of Wilson, in charge of global marketing strategies, branding, product development and North American sales. Talermo has put European and Japanese marketing operations on a more independent basis, appointing Luke Reese as new general manager of European operations.

The shake-up, which Amer says is just the start of further structural changes, has sparked a big recovery in the group's shares. Two months ago they fell below FM75; last week the stock was trading at close to FM115. Hugh

Senior move at TI

Dave Richardson has become president of Texas Instruments' European operations, as part of a series of senior management changes. Richardson is responsible for all TI's operations in the region. including its business units, manufacturing activities and sales and marketing offices in 16 countries. He reports to Rich Templeton, executive vice president, and is a member of TI's global leadership

president and general manager of TI's mobile computer and office solutions businesses, replaces John Scarsbrick, aged 43, who was named worldwide manager of TTs applications specific products business and semiconductor group senior vice president.

INTERNATIONAL PEOPLE

Meanwhile Keh-Shew Lu, aged 49, will continue as president of TI Asia but also assumes worldwide responsibility for the group's memory products. His appointment reflects the growing importance of Asia for TI's global semiconductor strategy and the emergence of the region as the worldwide manufacturing centre for dynamic random access memory chips. Paul Taylor

IDV chooses US head

International Distillers and Vintners, the drinks arm of Grand Metropolitan, has recruited Chuck Phillips from Kraft Foods to head its operations in the Americas. Phillips, 51, takes up his new post in early September and will be based in Hartford, Connecticut.

Jack Keenan, IDV's chief executive, was chairman of Kraft, the food subsidiary of Philip Morris, until he joined iDV earlier this

Richardson, who was senior vice year as part of the management succession to Lord Sheppard, the former GrandMet chairman. However, IDV is at pains to say that Phillips owes his appointment to his strong international background, rather than to the Kraft

Phillips, like his boss, a brands man, will take responsibility for IDV's operations from Canada to South America. He was most recently president and chief executive of Kraft Canada, but, during his 26 years' experience with Kraft, headed its operations in Spain and Portugal, Latin America, the Middie Bast, eastern Europe and Africa. At IDV he replaces Bob Furek, who is due to retire at the end of the year. Nim Caswell

New Saatchi creation The global advertising group Saatchi & Saatchi has gone through some upheavals recently - not the

least of which was the departure of its two eponymous founders, Maurice and Charles Saatchi, who now run their own agency. But Saatchi & Saatchi is alive

and kicking, and continues to think how best it might serve its multinational clients. That effort is behind the creation of a new post worldwide creative director - to be filled by Bob Isherwood.

Isherwood has come up through the ranks not as a 'suit' - an account handler - but as a graphics designer. A graduate of the Royal Melbourne Institute of Technology, he then went off to London where in the early 1970s he joined Young & Rubicam, becoming, at 25, the youngest group head at the agency. He then moved on to Collett Dickenson Pearce (as the agency was then known), becoming a director and partner before joining Saatchi & Saatchi in 1986.

Most recently he has been chairman of the agency's worldwide creative board. Saatchi describes Isherwood's new task primarily as being to exercise quality control across the agency's network.

In his career Isherwood has notched up many top advertising awards, including in 1991 being named (by Business Review Weekly) Australia's leading creative director. He will remain based in Sydney - where he has been executive creative director for the agency's Australian outpost but will have global responsibili-tles, with other offices in London and New York. Gary Mead

ON THE MOVE

Sved Iftikar, who in 1982 founded SYQUEST TECHNOLOGY, based in California, has resigned from the board.

Gary Burton, deputy director of finance and administration at the Orange County Transportation Authority becomes the new chief financial officer for ORANGE COUNTY, which emerged from bankruptcy in

June.

 US funds management company STATE STREET GLOBAL ADVISORS, has appointed Peter Dorrian as its first Australian marketing director to spearhead the growth of its Australian funds management busine Dorrian joins in September from BT Funds ■ Malayan United Industries

(MUI) has appointed new directors to PENGKALEN HOLDINGS. Chairman Khoo Kay Peng will be among eight new directors appointed to the board of Pengkalen Holdings, which owns two stockbroking houses. Executive chairman and director, Jaya Tan, and others directors have resigned.

United Kingdom

■ Charles Henry, who joined E I du Pont de Nemours and Company in 1963, and was most recently executive rice-president and chief financial officer, has been appointed chairman. president and chief executive of SCHULLER CORPORATION. He succeeds Thomas Stephens

as president and chief executive, and Robert Falise as chairman. Falise will continue as a director of Schuller and as chairman to the trust that owns controlling interest in the company. Schuller Corp is a US manufacturer of insulation and building

■ Dennis Wheeler, chairman and chief executive of Couer d'Alene Mines, has been appointed to the board of Australian gold miner GASCOYNE GOLD MINES and also becomes deputy chairman.

Robert Bohannon has

been appointed president

and chief operating officer of

products

the services company VIAD. Bohannon, who joined in 1993, replaces Andrew Patti, who ioins Ameritech. Bruce Kenyon, chief operating officer of South Carolina Electric & Gas is resigning to take up the position of president and

chief executive of human resources at NORTHEAST NUCLEAR ENERGY COMPANY and other nuclear subsidiaries of the University of and affiliates of Northeast Utilities System. ■ Stuart Hornery, chairman

of Land Lease, has resigned as a non-executive director of WESTPAC BANKING. Frank Cheung Cheuk Woon has been appointed treasurer and head of money markets/repo trading in Hong Kong for DEUTSCHE MORGAN GRENFELL. Previously he was an associate director foreign exchange/global markets at

Deutsche Bank Sydney.
■ Gary Ginter joins HULL TRADING COMPANY as a principal, focusing on new business development. He was a founding partner of Chicago Research and Trading Group, now known as NationsBank/CRT. Ginter has also been managing director of Globex, the electronic trading joint venture between the Chicago Mercantile Exchange. Reuters, the Chicago Board

Paris. Timothy Burch, currently manager of human resources for General Electric Corporation's Asian operations, has been appointed as vice-president.

of Trade and the Matif of

RAYCHEM CORPORATION. Chang-Lin Tien, chancellor California at Berkeley, has been elected to the board of Raychem.

The board of GERBER SCIENTIFIC have confirmed the appointment of George Gentile, a director since 1989, as chairman and chief executive of the company. Gary Bennett, treasurer and controller, becomes chief financial officer. ■ MCDONNELL DOUGLAS AEROSPACE has made

three senior appointments vice-president/general manager level: Patrick Finneran, for market development: Michael Marks, for the F-15 programme; and John Tyson, for the AV-8B and T-45 training system programmes. In addition, Leonard Impellizzeri. vice-president-general manager of production operations and general services, assumes responsibility for the C-17 mmercial support. ■ FEDERAL MÖGÜL CORPORATION, the Michigan-based vehicle parts manufacturer, has appointed James Fetter as financial

controller - North American

Aftermarket. He joins from

AlliedSignal Automotive. ■ SHANGHAI INTERNATIONAL, the Hong Kong-listed arm of China's biggest securities company has appointed Jiang Guo Fang as chairman and Lu Wen Qing as director. replacing Gao Guofu who has resigned. Jiang is vice president of Shenyin & Wanguo Securities and Lu is managing director of the international division. ■ Peter Ellergast, who last year unexpectedly stepped down from his position as management chairman of FW Woolworth in Germany, has become executive manager at clothing store chain PEEK & CLOPPENBURG of Duesseldorf. Ciba and Sandoz have hived-off NOVARTIS SERVICES which will be

managed by Hans Kindler.

Irwin Siegel has been appointed as managing partner for DELOITTE TOUCHE TOHMATSU INTERNATIONAL'S practice in Russia and the CIS. He is currently the international service co-ordinator in the US, based in Atlanta. Brian Ruder and Stephen Sadove have joined the board of SAKS HOLDINGS as non-executive directors. increasing the board to nine.

Ruder is president of Heinz USA Retail Products and Sadove has been president of Clairol since 1991 Antony Leung has been appointed by CHASE MANHATTAN BANK as managing director and regional manager for Greater China and the Philippines. Leung has been with Citibank for the 23 years and is a member of the Preparatory Committee for the Hong Kong special administrative region, as well as an adviser to the government of China. Chase former managing director Richard Mounce has been appointed Asia business manager, a new position. ■ Isabelle Goos vice-president, financial relations, has been named vice-president, treasurer, with continuing responsibility for financial relations at PREMARK INTERNATIONAL.

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2. To register or interest in purchasing the business, contact: Bise Ferguson or Jemes Britton Deutsche Morgen Grenfell 6-8 Bishopsgete, London EC2N 4DA Telephone: (0) 171 545 61846300 Fecsimile: (0) 171 545 6180 se soon as possible, but no later than Wednesday, 18th September 1996.

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CALL FOR EXPRESSIONS OF INTEREST FOR THE PURCHASE OF THE GROUPS OF ASSETS OF "MINAIDIS-FOTIADIS WOOL INDUSTRY S.A." OF ATHENS, GREECE

ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities, of 9a. Chrystospiliotists St., Athens, Greece, in its capacity as Liquidator of "MINATDIS-FOTIADIS WOOL INDUSTRY S.A., a company with its regarderal office in Athens, Greece, (the "Company"), presently under special injudation according to the provisions of Article 46a of Law 1892/1990, by virtue of Decision No. 194/1994 of the Athens Court of Appeal lawites macroted parties to submit within twenty (20) days from the publication of this sall, non-busing written expressions of inserest in purchasing one or more of the groups of assets mentioned below, each one being sold as a single entity.

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 A plot of band of approximately 457 sq.st., located beyond the city area, in the region of Alski on the island of Salamina. SALE PROCEDURE The Company's assets will be sold by way of Public Auction in accordance with the provisions of Article 46a of Law 1892/1990 (as supplemented by art. 14 of Law1892/1991 and subsequently amended), and the sums set out in the call for tenders for the sake of the above users, to be published in the Greak and press on the dates provided by law, (This is the third section to take place.)

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Forgotten talent rediscovered

William Packer on the Edinburgh galleries

his preferred medium of watercolour, with an apparently easy command of the richest, deepest, broadest effects and the most dazzling tricks of light and detail. This might be thought misfortune enough in a culture that has always affected to distrust conspicuous facility, but he compounded his misfortune by dying of typhoid in 1904 at the age of 49 - just when he was finally established in both London and his native Scotland and the more radical freedoms of French painting were beginning to register on this side of the

In his interest and subjectmatter, Melville was close to the Orientalism of such as Lewis and Lear, close in spirit to the aesthetic impressionism of Whistler, model of a Han watch-tower. Lavery and Sargent, yet in his actual execution he was far more adventurous than any of them, never less than effective yet teetering so often on the edge of abstraction. The water-colours of Sargent and his fellow-American, Prendergast, were soon to come into their own: horseback, the huntsmen those of Melville stand with the best of them.

The City Art Centre has cinating rediscovery of the three shows, each quite distinct. Heartland is drawn upon the City Council's own collection of landscapes by Scottish artists of this century. Almost all the expected names are there and represented by strong works, from William McTaggart's to the Royal Scottish Acad-

rthur Melville, at through the associative Landseer and Winterhalter. Bourne Fine Art, abstraction of William Johnwas a virtuoso in stone and the sharp focus of James Mackintosh Patrick, to such as Barbara Rae, John Houston and Duncan Shanks today. But Joan Eardley is the star.

Downstairs, Gateway to the Silk Road shows objects from the Han to the Tang Dynasties, which is to say from around 200 BC to about 900 AD. They come from Xi'an, Edinburgh's twin city in Shaanxi Province, that was once Chang'an, the ancient capital of China. The theme may be the old trade road that once left Xi'an for the Mediterranean, but the objects provide the excite-

here is no sculpture now in Edinburgh more extraordinary than the the tomb some 4ft high, nor is there a single piece better than the wonderfully simple and supercilious Bactrian Camel, Western Han again, that stands some 30 inches high. And then there are the Tang figures, the group of itiner-ant female musicians on with their hawks and dogs. These are wonderful things.

In the basement is the faswork of Christina Robertson, a Scottish portrait painter who enjoyed considerable success in the early 19th century but has since been almost entirely forgotten. She showed regularly at the Royal Academy, was elected

But what makes her truly achieve the final success of royal patronage at home, she twice took herself off to St Petersburg, where she became painter to the Tsarist Court and the Russian aristocracy. Her first stay was from 1839 to 1841, her second, from 1845, lasted until her death in 1854, at the age of 57, by which time her success had faded and she was looking for funds to

Hers is an odd and sad story, but the work, within the conventions of the portraiture of her time, stands up very well, fresh, strong and thoroughly professional. The small self-portrait from the Victoria & Albert museum shows us a determined young woman at the outset of her career, rather beautiful in a matter-of-fact way, with her clear eye and steady gaze.

bring her home.

Speaking Likeness at the Scottish National Portrait Gallery deserves mention, if only for being such a good idea. It is, at one level, merely an anthology from the collections, but the fun comes with the accompanying portable tape. Far from imposing the tendentious closs usual with such things, it offers at the press of the button only the actual voice of the portraitee. Gladstone, Buchan, Ramsay Macdonald, Harry Lauder, Lulu, Her Majesty The Queen - ter-

Tam O'Shanter by Alexander Goudie fills the Freema- and his headlong flight for idiosyncratic expressionism emy, and for a while com- sons' Hall with nearly 60 safety beyond the bridge on at the turn of the century, manded prices higher than canvases, many large and all the back of the eventually and his sheer nerve.



'Children with a parrot', 1850, by the remarkable Scottish artist Christina Robertson

helter-skelter through Burns's gleeful epic. Here it all is, poor drunken, benighted Tom on his way home from market, his terriwitches and the warlocks,

substantial, that carry us tail-less Meg, his faithful grey mare. It is all done in the high tradition of the great Victorian illustrators, but larger than life. Goudie knows his stuff, and if occafying encounter with the sionally he over-reaches himself, is a shade perfunctory or glib, he is quite forgiven for his sense of fun,

vibrant and intelligent story

between courtroom scenes in

on a real 1951 case) and epi-

sodes in the life of Sophie

Auzanneau which led up to

her killing her lover. Stage

space is swiftly and repeat-

edly redefined as Veronica

Leer's Sophie passes through

her life and her trial without

quite engaging with their

realities, infuriating her

prosecutors by her inability

Twin time-lines also form

the structural spine of Enter-

to recognise remorse.

telling.

Arthur Melville 1855-1904: Bourne Fine Art, Dundas Street, until August 31, then to the Fine Art Society, London. Heartland and Gateway to the Old Silk Road (sponsored by Scotsman Publications, Hewlett-Packard and McRobb Display) and Christina Robertson (sponsored by

Coral): City Art Centre, Market Street, until October 5. Speaking Likeness: Scottish National Portrait Gallery until September 30; in association with BBC Scotland. Alexander Goudie - Tam O'Shanter: Freemasons' Hall, 96 George Street, until August 31; in association with Artbank.

a hetero sex scene in a

Cricket and Curtis are a

couple who could almost be

perfect, but are crippled by Curtis' rootlessness and

Cricket's co-dependence. Pin-

kosh's partner, writer

tle inchoate. Nevertheles

affecting work informed by a

struction, MacIvor, as Henry

Tom Gallery II, builds from

comically uncertain begin-

nings into a torrent of pre-

ing a mysterious commission

which he reveals an hour

later. Richard Feren contrib-

utes monumental sound

sculptures, also treating iso-

lated phrases from MacIvor's

radio microphone to create

the eerie effect of a disem-

bodied chorus. One of the

loopier joys of the Fringe is

finding a show which leaves one baffled but grinning

widely; Here Lies Henry is a

perfect example of the type.

Starving Artists play.

Musical

Kiss the Sky

s the pub that the Bush Theatre inhabits is being refurbished, it has had to go into exile to the Shepherd's Bush Empire bar next door, where Jim Cart-wright's "psychedelic musi-cal" Kiss the Sky, the biggest show ever mounted by the theatre, makes witty use of the space.

A "musical happening". Cartwright plays with the idea that in the superb 1960s music and incredible naffness existed side by side. But "musical" suggests rather more in the way of plot and text than the show has to offer – it is more of a "Sounds of the Sixties" compilation with gags and vignettes between the songs. This is placed in a Lanca

shire version of the festival in a field - only less muddy. The band performs Sixties classics while the MC (Rob Jarvis, bugely enjoyable as a man who fancies anything in bell-bottoms, including himself) peppers his announcements with the sort of double entendres that would make Bernard Manning blush. A poet reads an earnest anti-war rant; a couple get married to each other "and the whole world"; a pair of yoga enthusiasts sit cross-legged, emiting "ohm" from time to time and invite the audience to get in touch with God or the universe - whichever seems closer. You get the

Between the songs, the monologues of drab northern traveller Alan Williams takes us on a kind of psychedelic package tour. He encounters happenings, squats, good trips, bad trips, sex in Amsterdam, cosmic stew in India and has a brief flirtation with a leotard-clad theatre company (he is dismissed for having sex in the wings instead of on stage). His story serves as reminder that this was a party destined to produce a bad hangover; but while these tell-itto-the-audience-straight monologues were used clev-erly by Cartwright in Road. here they come over as an awkward device. As our father Eric has let his the overall picture feels a lit- traveller becomes increasincreasingly tedious.

· Viper's Opium is a deeply The music, however, is terrifically human sensitivwonderful and superbly performed by the on-stage band of Neil McArthur). Most pack is Daniel MacIvor of Canadian duo Da Da memorable is Caron Pascoe. Kamera. Here Lies Henry is a whose show-stopping vermagnificently oddball consion of "Piece of My Heart" gives Janis Joplin a run for her money, but all the originals are impressively evoked, from the delicate posterous mendacity, followsound of Joni Mitchell to

Mike Bradwell's production treads a nice line between poking fun at the sitting targets - haircuts, playing tribute to the music. The show confirms what one always suspected – that the periods of drivel punctuated by wonderful moments; that the music was great, the fun patchy and that no-one new when to stop.

Sarah Hemming

Shepherd's Bush Empire. London W12 (0181-740 7474).

Inés de Castro

Richard Fairman on James MacMillan's first full-length opera

attained a remarkable degree of celebrity for a

volog classical composer. For his first full-length opera, Inés de Castro, the Edinburgh Festival and Scottish Opera joined forces to provide Scotland's bestknown composer with a prominent platform on which to launch his operatic career. Earlier works, such as his exciting orchestral score The Confession of Isobel Gowdie, had already shown his capacity for red-blooded drama. He picked a good, gory, operatic tale in John Clifford's libretto: and the performers at the Edinburgh Festival Theatre on Friday selflessly gave everything they had. So why is Inés de Castro less than a success? There will be many people in the audience who would rather sit through MacMillan's opera a second time than one of those impenetrable

19 M

er es rate

an assembly-line opera.



"Bluff your way through opera" will feel safe with the basic plot: A and B love each other, but politics and jealous rivals get in their way. The libretto reads like a miniature Aida (the Spanish Inés de Castro has to watch her lover, the crown prince of Portugal, go off to battle against her own people) until the last two scenes where it goes gloriously off the rails into a pile-up of the gory, the comic and the

that nuch easier shelf labelled "for doctoral tableau Pedro exhumes bow. With several large set when people recog- theses only". He has done Ines's corpse to sit on the pieces to her role, Helen nise the composer's his level best to be approach- throne beside him, while the Field tirelessly throws hername. After an early run of able and it seems ungrateful state .executioner has just successes and a lot of noisi- to complain that what we finished an inventory of ly-orchestrated hype on all are given is little more than gruesome tortures (Christo-Anybody familiar with

pher Purves hitting the right tone of lip-smacking relish). It is a tall order for the composer to switch styles skilfully enough to keep up: MacMillan plunders Shostakovich for his satirical moments, but fails to find music to match the strange-

ness of the ending.

That, unfortunately, is where Inés de Castro's weakess lies. MacMillan's score is not stamped with any individuality although the orchestral writing recaptures some of the flair of MacMillan's earlier works, and Richard Armstrong and the Scottish Opera orchestra let rip at every opportunity. As each scene works itself up into a frenetic climas of thundering timpani and rasping brass every ten minutes or so, these are many. The real problem is the vocal parts, which lack character. MacMillan has no trouble setting himself up with promising arias and

353-1-6711888

EXHIBITION

44-131-5568921

RTE Concert Orchestra: with

presenter Gerry McArdle perform

excerpts from The Yeomen of the

Guard and The Mikado; 6.30pm;

conductor Gearoid Grant and

■ EDINBURGH

Velázquez in Seville: this

exhibition features early works

Madrid in 1623. The display, comprising 50 works including

portraits, prints, drawings and

sculpture, is centered on the

National Gallery of Scotland's own Velázquez, "An Old Woman

Cooking Eggs". Selected works

by the artist's contemporaries

artistic context for Velázquez's

help to set the historical and

early paintings; to Oct 20

made by Velázquez in his native

town Seville, before he moved to

For the bloodthirsty final memorable tune ever takes a self into the part of *Inés de* Castro, but no amount of shining top notes and impassioned singing can do duty for the personality that is not in the music Everybody in the cast

works hard. Jeffrey Lawton's heavyweight tenor is hardly appealing, but he sings Pedro with the necessary passion. Jacek Strauch and Stafford Dean were strikingly contrasted as the evil Pacheco and the good King. Elizabeth Byrne played Pedro's unsympathetic wife strongly and Anne Collins gave good value in as the Nurse and Old Woman.

In the last resort, the disappointment is proportional. because expectations had been raised that much too high in advance. MacMillan has gone through the motions of writing a good, old-fashioned opera and audiences will probably be happy to go through the motions of watching it. It is just not the real thing.

Sponsored by Marks duets, but nothing like a & Spencer

nder the terms of Traverse the Scottish Arts Council's new fare on funding system. theatre companies are the Fringe invited to apply to cover specific constituencies, both geographical and artistic. This is no problem for Gerry

depressive disintegration of Godfrey Hamilton, is as Mulgrew of Communicado, mother Grainne. For years richly eloquent as ever, but who is also committed to vounger children believe their mother is dead, until Communicado's Fringe cousin Daniel arrives from show this year, Michael Vinaver's Portrait Of A which eldest child Grace has Woman, cuts rapidly always known: that Grainne, if not exactly well, is cera French murder trial (based tainly alive. Family drama mingles

with the confining nature of ideologies and a slightly uncomfortable use of religious mysticism as a metaphor for personal interac-McCartney and McLellan's script is immensely thoughtful; McCartney is also skilled at eliciting nicely understated pany. However, as yet Look-Out remains a company of great promise rather than guaranteed delivery.

taining Angels, from Nicola McCartney and Lucy McLellan's rising Glasgow-based Starving Artists are now LookOut company. After last Traverse regulars in August, year's Easy, this piece sees more or less alternating the company's reach exceeding its grasp: scenes from a former Mark Pinkosh and Liverpool family's life - full two-handers. Viper's Opium of petty tensions, but no teams Pinkosh with Kathryn grand dysfunctions - alter-Howden as the eccentrically appealing Cricket - so nate, and sometimes coincide, on stage, with moments appealing, in fact, that the from the past recounting the virtually unheard-of occurs:

Ian Shuttleworth

All shows run until August

31 at the Traverse Theatre

INTERNATIONAL

AMSTERDAM

CONCERT 31-20-5730573 Orchestre Francais des Jeunes: with conductor Marek Janowski and violinist isabelle van Keulen perform works by Ravel, Prokofiev and Lutoslawski: 8.15pm; Aug 28

BAYREUTH

Bayreuther Festspiele Tel: 49-921-78780 Die Meistersinger von Nümberg: by Wagner. Conducted by Daniel Barenbolm. Soloists include Birotta Svenden, Renee Fleming and Peter Seiffert. Part of the Richard Wagner Festspiele; 4pm; Aug 28

BERLIN

FYHIBITION Bertinische Galerie Martin-Gropius-Bau Tel: 49-30-254860

 Noch nie gezeigt – Aktuelle Positionen aus den Sammlungsbeständen der Berlinischen Galerie: exhibition of works from the museum's collection, most of which were never before shown to the public. The majority of the works on display was recently added to the museum's collection. The show includes, installations, palntings, photographs, architectural drawings and designs; to Oct

■ BORDEAUX

Musée des Beaux-Arts Tel: 33-56 10 16 93 Greece in Revolt. Delacroix and the French Painters (1815-1848): this exhibition mmemorates the efforts made by French artists and intellectuals to help Greece achieve independence from the Ottoman Empire. The display features works by Delacroix and others; to Sep 8

■ COPENHAGEN

CONCERT Twoli Concert Hall Tel: 45-33 15

 Tivolis Symfoniorkester: with conductor Eri Klas and viola-player Yuri Bashmet perform works by Schnittke and Tchaikovsky: 7.30pm; Aug 29

DUBLIN

National Concert Hall -

Ceoláras Náisiúnta Tel:

CONCERT

■ LIVERPOOL EXHIBITION Liverpool Museum Tel:

44-151-2070001 The Arts of the Samurai: 14th-19th Century: this exhibition is drawn from the museum's Japanese collections, which have never previously been displayed. The exhibits consist of Japanese armour, swords, sword-fittings and lacquer work from the collection of local business man Randal Hibbert (1865-1942). The exhibition illustrates the European perception of the Japanese following the opening up of Japan to western trade in 1868; to Aug

LONDON EXHIBITION

44-171- 8732526 The Four Elements: this exhibition draws together prints and drawings from five centuries National Gallery of Scotland Tel: to show the Four Elements - Fire. Water, Earth and Air - in mythology and real life. Mixing together artists from different times and traditions, the exhibition contrasts images of classical stories, domestic scenes and the frankly satirical. Included collection by Manet, Dürer, Guercino, Bruegel, Gauguln, Hieronymous Bosch, Guardi, landson, Turner, Samue Paimer, Constable, Piranesi, Tiepolo and others; to Sep 22 Dutwich Picture Gallery Tel:

44-181-6935254 1600-1750: this exhibition includes works by Ambrosius Bosschaert, Van Huysum, Rachel Ruysch, Jan Davidsz de Heem and Balthasar van der Ast and are

from private collections; to Sep

Victoria & Albert Museum Tel: 44-171-9388500 Susie Cooper (1902-1995):

style, affordability and good design were the key attributes of Susie Cooper's tableware. This memorial display shows a cross-section of her work from the Art Deco years of the late 1920s and 30s through the bone china made by her own factory

and her late designs of the 1980s; to Sep 15

■ LUCERNE CONCERT

Kunsthaus Luzem Tel: 41-41-210 35 62
New York Philharmonic: with conductor Kurt Masur and horn-player Thomas Stacey perform Rorem's English Horn Concerto and Bruckner's Symphony No.4; Aug 28

NEW YORK

EXHIBITION The Metropolitan Museum of Art Tel: 1-212-879-5500 American Printmaking 1860-1900: Winslow Homer and His Contemporaries: an exhibition painting retrospective by providing a context for the artist's printmaking efforts. Drawn entirely from the museum's collection, Homer printmaking from his early and late career is shown along with works by printmakers active during Homer's career; to Sep 22

PARIS

EXHIBITION Musée Carnavalet Tel: 33-1 42 72 21 13

 Georg Aemi – Panoramas parisiens: exhibition of a series of panoramic views of Paris by the Swiss photographer Georg Aemi; to Sep 29

SALZBURG

Grosses Festspielhaus Tel: 43-662-80450

Moses und Aron: by Schoenberg. Conducted by Pierre Boulez and performed by the Koninklijk Concertgebouworkest and the choir of De Nederlandse Opera. Soloists include David Pittman-Jennings, Chris Merritt, Gabriele Fontana, Yvonne Naef.

Lindskog. Part of the Salzburger Festspiele; 7.30pm; Aug 28

John Graham Hall and Pär

(0131 228 1404).

■ WASHINGTON Institution Tel: 1-202-357-2700 In Human Form: Secular and Divine Images in Chinese Painting: this exhibition examines actual and symbolic images of people as they appear in Chinese

painting. The human figure has

been the central topic of Chinese

painting since the Han Dynasty

ZURICH

Aug 28 to Oct 6

(206BC-AD220); to Sep 2

EXHIBITION Museum für Gestaltung Zürich Tel: 41-1-446 2211 Perlen, Aus der Grafischen Sammlung: exhibition featuring highlights of the museum's collection of graphic arts; from

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Financial Times Business



Martin Wolf

The politics of growth

The key to understanding why some developing countries are doing better than others lies in the way different state structures respond to economic pressures

manufactured exports,

because their wages are low.

labour-abundant countries

will also enjoy rising real wages. But land-abundant

countries are uncompetitive

in labour-intensive manu-

factures, because their

wages are higher. And, it

turns out, their workers will

experience long periods of

stagnant or even falling real

wages, unless their capital

To overcome the initial

obstacle of its relatively

high labour costs, the gov-ernment of a land-abundant

country intent on industrial-

isation will be tempted to

intervene heavily. This

elps explain the protection-

ism and "big-push" indus-

trialisation of Brazil or Mexico. Moreover, such

countries will be riven by

distributional struggles

between those who live off

wages and those who live

off the returns to land (or

These economic pressures

interact with the structure

of the state. Economists too

other resources).

stock grows very quickly.

Workers in fast-growing

In the mid-1950s Ghana and Thailand had much the did Nigeria and Indonesia. By 1994, Thailand's real income per head was almost three and a half times Ghana's and Indonesia's three est in doing so, or both. times Nigeria's. Countries facing the same international economic environment and possessing very similar resources have succeeded wonderfully or failed miserably. Why is this and can more countries shift from the latter to the

former category? "The proximate causes of growth are the rate of investment and its efficiency," argue professors Deepak Lal of the University of California at Los Angeles and H. Myint, formerly of the London School of Economics, in their remarkable book, The Political Economy of Poverty. Equity and Growth (Clarendon Press. Oxford). But these in turn are determined by the actions of governments, which can underpin - or demolish -

investment opportunities Whatever governments can do for development, there are three things they

 Provide the basic public goods, above all security of life and property, at tolerable cost in terms of taxation. · Ensure fiscal and monetary stability.

 Allow citizens to exploit the global economy. Too often governments have failed to carry out even this limited list of duties. The Human Development Report from the United Nations Development Programme lists 70 countries with income per head no higher today - and often much lower - than in the 1960s and 1970s. Thirty more have income per head no higher than in the 1980s. In every case, states have failed on one of the above counts, often all three. Why? The answer

demands on an understand-

between politics and economics. Profs Lal and Myint answer persuasively that governments have either failed to understand how to do better, or seen no inter-

There is almost universal recognition of the disastrous consequences of heavyhanded dirigisme - usually including a bias against trade, needless controls on economic activity, penal taxation of agriculture, proand suppression of financial markets. Less understood is how often the goal of "nation-building" has been used to justify such excesses. But the maggots of corruption, tax evasion and illegal activity have then rotted the states such dirieisme was intended to

strengthen. Yet it is to the understanding of interests rather than ideas that Profs Lal and Myint make their most innovative contribution. One helpful way of thinking about the political economy ment, they suggest, is in terms of an economic model with two agricultural products, several tries find it relatively easy

immune

(subserved interest of

pressure pressure

ing of the interaction manufactures (produced to break into markets for with different ratios of capital to labour) and three "factors of production" - labour. capital and land.

All developing countries

have a a higher ratio of labour to capital than the world average. That is what underdevelopment means. But some also possess a higher ratio of labour to land - these are "labourabundant" countries. More often, developing countries higher ratios of land to both labour and capital than the global average. Or they fall in between, being neither labour- nor land-abundant. Land-abundant countries are underdeveloped, but may not be poor.

A labour-abundant country starts its development with very low real wages and a clear comparative advantage in labour-intensive manufactures. Hong contrast, land-abundant countries, such as Argentina, start with higher real wages and no comparative advantage in labour-intensive manufactures.

Labour-abundant coun-

How states differ

often assume the government is a benevolent maximiser of social welfare. A more realistic view, profby Profs Lal and VOTE HERE ZOUTA MONA Myint, divides states into two groups: the autonomous, usually despotic, largely free of pressures from the governed; and the factional, where such pressures are the stuff of politics (see chart). Of the 21 countries in the sample studied by Profs Lal and Myint, 11 are classified as factional states, six as predatory autonomous states and just four as benevolent ones. Benevolent autonomous states, among which are included Hong Kong and Singapore, have performed rather well. But such states are inevitably rare: power and old age tend to corrupt

> Encouragingly, democracies have proved no more developing countries, whathostile to successful eco-

nomic development than tocratic, despotisms - a point also made by Professor Jagdish Bhagwati of Columbia University, New York, in his Rajiv Gandhi memorial lectures of 1994. But if democracy is to be compatible with succ development, the implementation of sensible overall policies must be reconciled with the government's inescapable need to gain support from the governed.

This may be less difficult for the labour-abundant economies because their natural development path enriches the majority of the population. It will also be relatively easy for countries where ownership of natural resources is fairly evenly distributed. But it will be very hard for governments of land-abundant economies, particularly ones with con-centrated land-ownership.

Yet all governments must permit their countries to nove along the path of their comparative dynamic advantage. Equally, they must limit the politically mandated entitlements that are granted to satisfy lobbies or reconcile the many to a growth path that initially enriches the few. Excessive entitlements make it more difficult for an economy to adjust to adverse economic shocks. The dire result has been the inflationary-cum-balance-of payments crises that explain the growth collapses of the last two decades.

Will governments do better in future? Possibly. One reason for optimism is the wider appreciation of the role of the market. Another is the crisis-induced imperative of reform. But even governments of stable industrial democracies find it difficult to contain the demands upon them. The needed self-discipline will continue to be impossible for governments of many ever their own desires

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL We are keen to encourage letters from readers around the world. Letters may be faund in 14, 171-173, 5338 (please set fax to 'fine'), e.mail: letters.cditariest.com

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Translation may be available for letters written in the main international languages.

Electronic dream is still hampered by fears of intrusion

From Mr Jack Savidge. Society's adoption of the electronic purse", cited in "A world that turns on plastic". (August 23), will take longer than 10 years. Let's look at history. At 3M Company, in 1964, I

pioneered the travel and banking industry adoption of the magnetic strip for credit cards. Then industry had two questions: (1) is this a valid credit card? (2) is the person handing me this card the valid owner? Time and technology have solved question one. However, the question of card carrier validity remains. During the late 1960s and the 1970s. industry evaluated all manner of human biometrics to link the card to the carrier. We all have unique elbow and palm prints, urine, wrist vein and retinal patterns, signature pressures and index finger and big-toe shapes, Consumer panels recoiled at the methods proposed to capture these human identifiers. Even now we feel invaded having our picture on ID cards. Surely it

eyepiece to have their retinas laser scanned. Now to the long-awaited personal information card. At inauguration, the magnetic strip was forecast

to be a pocket storage of

medical records, credit data and a re-loadable source of petty cash. Yet in 1996, after enormous advances in magnetic storage density. the magnetic strip only contains the 13-digit card

number and authorisation PIN used as a substitute for keyboard data entry. Will the "smart card" do better? I think not. We must await the next technology, a low-cost, re-usable, CD-Rom-like, optically recorded card. Then, just maybe, we can fulfil the portable electronic document dreams set in

motion 30 years ago. Society will fight personal identifier intrusions while remaining slow to adopt new

Jack Savidge 6898 Paseo Laredo, La Jolla,

An eye on civil liberties

will be a long time before

people will stand before an

Sir. As standards are being unified on a European basis. we should also look to equalise the Europe-wide list of civil liberties which need to be protected.

Let us start with identity cards and street video cameras. In England, video cameras seem to have become more prevalent than those ubiquitous satellite dishes. The cameras were installed with barely a whimper from civil libertarians. In contrast, the persistent suggestions that

an ID card be introduced there have met with howls of protest. In Spain, where ID cards are more common than credit cards, they are up in arms over the possible installation of video cameras.

I wonder how many pages the European Commission's report to unify standards will take? Sounds like we will need another campaign to "save our forests"!

Onėsimo Alvarez-Moro 13 Andrewes House, Barbican. London EC2Y SAX, UK

Leadership crucial to integration

From Mr Andrew Cecil. Sir, Michael Sturmer's Europa article, "Resisting the melting pot", (August 16), implies there is a momentum with a subconscious persuna fuelling the engine of European integration, is this really the case".

With the exception of the perceived Frenchman's vision of Europe and what Sturmer describes as the Germans' insecurity about their national dream, I fear that the majority of the other 370m Europeans would agree that European integration is hardly a

self-fulfilling development. I doubt that Jacques Delors, François Mitterrand and Helmut Kohl would relish the thought of being informed that they had worked towards an ideal that was likely to be realised in any case, independent of their tireless

True enough, political union should not be rushed into or "engineered", and similarly questions need to be asked at present about economic and monetary union (Emu), in particular whether it is not being forced upon European citizens, either to satisfy the political ambitions of the ruling elite within Germany or other member states, or based on a mistaken apprehension that unless the Maastricht Treaty is followed Emu is doomed.

However, this should not detract from what is self-evident from European history - that without common leadership and shared objectives, Europe's varied economic, social and cultural heritage risks pulling the continent apart.

Andrew Cecil, rue uace Li rame 34,

FINANCIAL TIMES TUESDAY AUGUST 13 1996 ** NatWest takes the lead in corporate banking By George Graham, Banking Correspondent National Westminster Bank has overtaken Barclays to gain the biggest share of the UK corporate banking market, according to a review by Chartered Banker, the maga-Lord Alexander, chairman of NatWest, said his bank zine of the Chartered Institute of Bankers. had been focusing on the corporate market. "It's obvicosty good news because there is no question of our buying market share by relaxing lending standards," In a more detailed surve of the 500 largest companies. Chartered Banker found that NatWest was rated by finance directors as the best bank for short and mediumagement, leasing, foreign exchange and international Enough said. Why comment further when the FT article has said it all? To find out how we can help you make a success of your business, call George Farrow, Senior Executive, on 0171 454 2560 and he'll arrange for a NatWest Corporate Manager to contact you. NatWest More than just a bank

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A time for diligence

review of its junior market last week could not have

A growing number of those participating in the Alternative Investment Market have been worried by the sharp rise in the number of companies gaining admission, the conduct of advisers and an increase in flotation

They have complained that the rising valuations of companies coming to the market often fail to recognise the high-risk nature of some of the ven-

The failure of many of the summer's new issues on Aim to rise above their flotation prices has added to the

"Too many companies have been coming too quickly, and there will undoubtedly be casualties as a result," says Mr Geoff Douglas, small companies analyst at Barclays de Zoete Wedd, the investment bank.

But concerns over the reg-ulation of the new market have deepened in recent weeks following a spate of unwelcome developments. These include the censuring of the chairman of Optical Care (Bermuda) for failing to mention his association with failed companies; the resignation of the adviser the media and information company; and profits warnings from Active Imaging and Self Sealing

Matters were not helped by the Securities and Futures Authority inquiry into share dealing in Skynet Corporation on the Ofex market, a private unregu-lated facility which was acting as a springboard for prospective Aim members. Skynet's Aim application has been put on hold pending the outcome of the authority's inquiry.

The concern over the market's regulation is felt by some of Aim's staunchest supporters, who have broadly welcomed the Stock Exchange review of the conduct of advisers, brokers and companies.

"The market's weakness is that due diligance has not been as good as it should have been," says Mr Brian Winterflood, head of Winterflood Securities and the only

For some investors, the start London's Aim junior market ticularly time-consuming job of the London Stock has grown fast - perhaps too fast, says Christopher Price



marketmaker to deal in all 205 Aim shares. "The consequences of this first review Exchange needs to get tough - and need to be seen to be getting tough.

The burden of any remedial steps is likely to fall on the nominated advisers the brokers, accountants, financial advisers and law firms which play a crucial role in regulating Aim. All companies quoted on

the new market must employ one of the 60 so-called "nomads" approved by the Stock Exchange. The questions over the level of nomad is responsible for scrutinising a company's admission documents and ensuring that the directors comply with market regulations. This responsibility does not end at admission. but continues as long as the company trades on the mar-

Unlike in the main market, the Stock Exchange plays no direct role in scrutinising Aim companies. Instead it relies on the nomads' desire to protect their reputations as the market's main means of regula-

However, the popularity of Aim has put the nomads' role under strain. In July, for example, some 35 compa-nies joined it - more than double the monthly average. This led to fears that due diligence duties could suffer.

There are fears of a repeat of what happened on the main Stock Exchange market in 1994, when a rush of new issues was followed by some high-profile corporate problems. The subsequent collapse of one of them. Aerostructures Hamble, the aircraft parts maker, led to SCIULINY.

Aim was designed to be a cheap, easily accessible market for young and growing companies. The Stock Exchange has thus been keen to recruit nomads which can offer their services at competitive prices. This has discouraged the bigger, more experienced brokers, which do not see the new market as financially attractive.

that companies baulk at paying the fees necessary to shares quoted on the rev market need no minimum trading record.

The result is that companies are increasingly going to nomads which offer the service at a lower cost - and there are fears that this is leading to lower standards of scrutiny. It is this factor that has led many large institutional investors to stay out

"Cheaper nomads with lesser reputations to protect are the big danger to this market," says one leading adviser.

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Some nomads, such as stockbrokers Rowan Dar-tington and Teath-er & Greenwood, have decided not to bring any more companies to Aim in the near future because of its state. Gerrard Vivian Gray, one-time adviser to Firecrest, Optical Care and Skynet, has hinted that it may quit the new market

altogether. The Stock Exchange dismisses concerns over the nomads and insists it will take appropriate action against any wrongdoing it discovers.

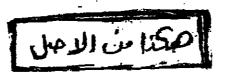
We have always said that this is a market which is higher-risk, and if it were not structured in the way it is it would not be as growing companies being targeted," says Ms Theresa Wallis, the market's chief

She also points to the undoubted success of Aim in establishing a platform for young and growing companies to raise capital. Since trading began last June, almost £650m has been raised and the market is capitalised at £4.3bn.

Investor confidence has been underpinned by the strong performance of the UK stock market, which has been reflected in the Aim. More than 65 per cent of shares on the new market are now higher than their admission price.

Aim has also benefited from generous tax breaks for wealthy private investors, who consequently make up a large proportion of its back-

But they, along with many Some nomads also argue other market participants, will be keeping a close eye on the Stock Exchange's carry out the correct level of actions as the review unfolds due diligence. This is a par- over the coming weeks.



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The Balkan slowcoaches

It becomes ever more apparent that Bulgaria and Romania have the sickest economies in central Europe. Their present woes are causing the two Balkan states to fall further behind the fast-track reformers, such as Poland, Hungary and the Czech Republic, in former communist

1 3

Nominally they have kept pace with other countries from the region in the competition for early membership of the European Union, They have managed to answer all the questions put by Brussels as a prelude to entry negotiations. But economically they look increas-ingly semi-detached among the 10 EU applicants from eastern

and central Europe. The \$582m stand-by credit approved for Bulgaria last month by the International Monetary Fund has pulled that country back from the brink of default, at least for the moment. But IMF officials arriving in Sofia last week for an initial progress review can hardly feel sanguine about the prospects for success. Bulgaria has consistently lagged behind others in the region on privatisation, banking sector reform and the restructuring of large, loss-making, state-owned enterprises.

The price of these failures has mounted rapidly. The collapse of confidence in the lev has caused the Bulgarian currency since the start of the year. Interest rates have climbed to 108 per cent, and the monthly rate of inflation reached a record 23 per cent in July.

Painful sacrifices

The IMF package addresses these woes, but its tough terms will demand yet more painful sacrifices from a population already burdened by economic dislocation and the need to queue interminably, whether to retrieve their deposits from the crumbling banking system or to

Not surprisingly political Bulgaria at present has little leaders in Romania show an choice but to go along with the allergic reaction to comparisons with their southern neighbour. They argue correctly that there are sharp differences in some

diligence

key fundamentals, not least the two countries' levels of foreign indebtedness. Indeed, while Bulgaria has teetered on the edge of default this year, Romania has been making successful forays into the international capital markets. Until recently it has managed to obtain finer terms on each foray.

Tide turning

But there are signs that the tide is beginning to turn ahead of November's general election. Facing possible defeat, the govt is increasingly using ermmer regulation in the foreign exchange market to prop up the leu artifically in preference to taking the tough measures nec essary to restore confidence Following the restriction of foreign exchange licences in the spring, it introduced stringent regulations this month requiring some companies to surrender their export earnings.

Arbitrary changes in the rules of the game, in the hope of achieving short-term electoral gains, are only staving off the day of reckoning for Bucharest. The IMF is still freezing further disbursements to Romania because of the country's noncompliance with the existing stand-by arrangement.

The issue for Bucharest, whichever government is formed in the late autumn, is to lose 65 per cent of its value not necessarily the speed of reforms but the credibility and consistency of policy. As the World Bank's recently published World Development Report points out, the debate about "big bang" versus "gradualism" in the transition strategies of different east European countries misses the point. The vital issue is that reforms should be consistently implemented, with determination.

In general the determined. consistent reformers, such as Poland, the Czech Republic, Estonia and Slovenia, are performing better than laggards such as Bulgaria and Romania IMF prescription, but the exhortations from Washington are falling on deaf ears in Buchar-

The housing benefits mess

Of all the policies that make up the problem. Doubtless it could, the UK welfare state, public and should, do more. But the support for housing has always been the hardest to get right. Sir William Beveridge tried, and failed, to come up with a solution in his famous 1942 report. He admitted at the time that his proposal would only "make the best of a difficult situation". By any reckoning, however, the present system makes the very worst of it.

There are two main problems, both of which have mushroomed in recent years: the cost of means-tested housing support; and its pernicious sideeffects. Spending on housing benefit is projected to be £11.1bn during 1996-97, more than double the amount spent in 1989-90 and 10 times the 1979-80 total. There is nothing wrong, in principle, with the government spending £11.1 bn, or 1% per cent of gross domestic product, on one segment of social policy. Many rich countries spend much more on different types of housing support. Few, however, spend it on a single benefit one, moreover, that encourages fraud and long-term dependency

on welfare by the unemployed. These were not the effects the government had in mind when it decided in the 1980s to reduce public subsidies for the construction of social housing in favour of means-tested individual rent rebates. The aims were to reduce the distortions in the housing market caused by having such a large gap between private and social sector rents, and to target housing subsidies to people in need more effectively. Spending much less on "bricks and mortar" subsidies and much more on housing benefit has achieved both objectives. But few would argue that the gains have been worth the unintended costs.

Creating ghettos

On conservative estimates, at least filbn of the total housing benefit bill consists of fraudulent claims, many made by private landlords rather than benefit claimants themselves. The government has recently stepped up its efforts to tackle most effective anti-fraud controls will not address the worst side-effect of the system - that it gives recipients no incentive to find work or seek cheaper housing, and has made social housing a ghetto for only the very bottom rungs of society.

Policy reversal

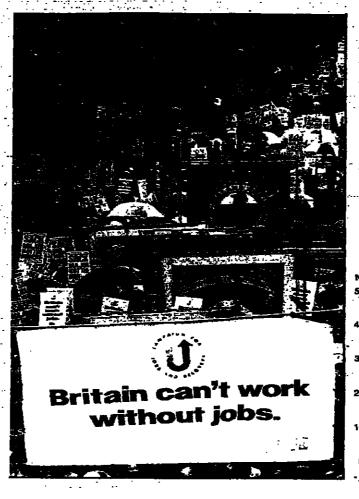
The various reforms announced in recent budgets have scarcely nibbled at the edges of these problems. This is because seriously addressing the flaws of the system would require a reversal of more than a decade of government housing policy or large amounts of extra spending - or, most likely, some combination of the two. Ministers are not the only ones to have baulked at the challenge. Their Labour shadows have been equally wary of 'promising

detailed reforms. There is no simple way out of the housing mess, still less a quick or inexpensive one. Cutting or capping the amount of benefit would give recipients an incentive to find cheaper housing. But it would also hit the pockets of non-working households, many of which - particu larly those headed by pension ers and single parents - would need to be compensated.

Reformers could leave poor pensioners unaffected by increasing the amount of additional income support which the elderly receive. Likewise, nonworking families could be helped by fiddling with housing and in-work benefits to improve the incentives for taking even very low-paid work. But neither measure would come cheap.

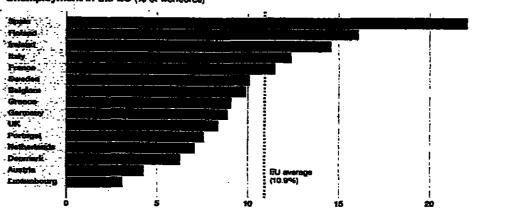
Nor would the reforms solve the fundamental problem caused by reducing bricks and mortar subsidies: that it has pushed up rents for low-income households just as the starting wage offered to those at the bottom of the labour market has begun to decline. But such a reform package would at least follow Beveridge in seeking to make the best of a difficult situation. The same cannot be said of the status quo.

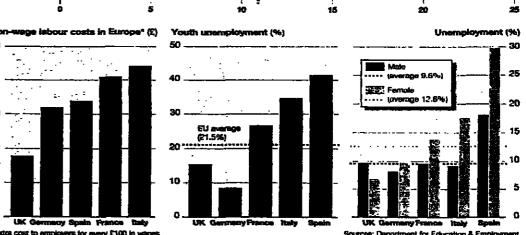
COMMENT & ANALYSIS



UK and the social chapter: the figures behind the arguments

Unemployment in the EU (% of workforce)





Unions learn to love Europe

Enhanced worker rights delivered by Brussels have helped labour organisations back a strong role for the UK in Emu, says Robert Taylor

he impact of European employment law on the UK labour market will be one of the big issues dividing the political parties at the next general election. Mr John Major, the prime minister, has called the European Union's social chapter, which he refused to sign in 1991. "immoral". Mr Tony Blair, the Labour leader, is committed to the social chapter, although he has assured the business community he will do nothing to injure UK competitiveness.

Most UK employer organisations condemn social legislation emanating from Brussels in sweeping terms, claiming it adds costs to business. Mr Graham Mather, Conservative member of the European Parliament and president of the European Policy Forum, the rightwing think-tank, believes the UK's flexible labour market is under threat from "the advance of old-fashioned collective bargaining, mandated interference with employment constate-controlled adjustment of working hours and

types and patterns of work". But Britain's trade unions have been turned into Euro-enthusiasts by the development of "social Europe". "The more Britain's unions have contributed to Europe the more we have secured in return," argues Mr John Monks, general secretary of the Trades Union Congress.
"The social protocol has legi-

timised our minimum labour standards agenda in the workplace," adds Mr David Lea, assistant general secretary. He is the architect of the TUC's pro-European strategy, launched in September 1988 when Mr Jacques Delors, the then European Union president, swept British union leaders off their feet with his Next month the TUC's annual

report that spells out the favourable impact the EU has had in strengthening individual worker and trade union rights. These gains have made it easier for the trade unions - weakened by 17 years in the political wilderness - to advocate a leading role for the UK in the planned economic and monetary union.

But the well-known fears of British employers and the hopes of UK trade unions about the meaning of social Europe which have been expressed in the UK's public debate distort rather than clarify the reality of what is actually covered by the EU's limited social agenda.

"There is no sense in which a core of community labour law principles can be identified; outside the areas of equal opportunities and health and safety, harmonisation to date is incomplete and sporadic," says Professor Gillian Morris of Brunel Univer-

"So far EU social legislation has had only a very patchy impact on the UK," agrees Ms Jane Mann, who chairs the Employment Lawyers' Association and is a solicitor with Fox Williams, the London firm. In her opinion the EU's impact has been "significant" in extending sex equality rights and providing protection for employees in business transfers but "insignificant"

almost everywhere else.
As Lord Wedderburn, the eminent labour lawyer, explains: "The EU's social agenda is little more than a series of procedures. It has not so far even guaranteed internationally recognised core labour standards, like the right of workers to join trade unions and practise collective bargaining as well as the right to strike."

Few social measures have actually emerged from Brussels that

Congress is expected to back a Nor has much evidence been produced to suggest they have added to business costs or undermined competitiveness. The independent Policy Studies Institute estimated earlier this year that extending equal rights to the UK's 5.4m part-time employees in line with EU intentions would add only 0.5 per cent to pay bills. However, Mr David Marsden at the London School of Economics' Centre for Economic Performance says no economic analysis has yet been done on the costs of EU social legislation on business

and employment Under the Social Chapter the EU states can implement by qualworking conditions; consultation of workers; equality of men and women in the labour market; and the integration of those excluded

from the labour market.

● 1975 Collective redundancies Companies must inform and consult their employees where large-scale redundancies and business transfers occur. Under 1995 UK regulations this

 1977 Transfer of undertakings end 1980 Insolvency directives
The first guarantees the continuity of employees' contractual and statutor rights in cases of company mergers and business transfers and wi transposed into UK law in 1981; the

proposals for the following measures: social security and social protection; protection of workers where their employment contract has been terminated; and the representation and collective defence of the interests of workers and employers, including worker representation on company boards. Pay issues are not covered at all by the EU social agenda. However, the UK opt-out has not proved effective in insulating the country from social legisla-

tion. All EU social regulations apply to UK nationals as well as in other EU member states. The ified majority voting measures European Works Council direcon: health and safety and other tive was the first to pass under the social protocol, and the UK opted out. But UK companies must comply with it for their European employees and none of those which have so far created

But the UK can still veto any

does not apply if 19 or fe es are planned within a 90day period.

company ceases trading.

● 1975 Equal pay directive and 1976 Equal treatment directive These have led to the introduction of an equal retirement age for men and women; the extension of rights for pregnant women and those on maternity leave; and removal of discrimination against part-time

EU social legislation affecting the UK 1993 Working time directive
 This will come into force on 22
 November this year unless the
 European Court upholds the UK's legal challenge. It says that workers do not have to work for more than 48

consultation and information

hours a week, including overtime, unless they agree. Workers in continuous process industries, ransport, emergency services, isheries and offshore oil are exempt It also lays down other conditions • 1994 Young workers directive This is likely to come into effect in

the UK this autumn, it limits 14 to the UK this autumn. It limits 14 to 17-year-olds to the hours work a day and 12 hours a week with night work prohibition until 2000. Young workers must have a daily 30-minute rest-break and a weekly rest period of at least two days.

■ 1996 Posted workers directive This requires that workers sent to work abroad by their employer should receive the same pay and conditions as comparable workers the country where they are posted.

committees have excluded their British workers. "Our attitude is pragmatic. Companies cannot ignore the law but they need to find workable and effective solutions," says Mr Peter Reid, European affairs head at the Engineering Employers' Federation.

Earlier this year European TUC estimates more than 400 UK companies must implement the UK-owned companies operating parental leave provisions in their continental European subsid-

"British unions will step up deal for up to 3m British employees who work for Euro-multingtional companies," says Mr Monks at the TUC. "Our experience with the European works councils shows most companies recognise they cannot opt their UK workforce out from benefits available in the rest of Europe.'

The European Court's immi-

However, the EU's priority is to

BSE

Well-greased Chicago

■ Chicago is going overboard to make this week's Democratic party convention more than just a political party, book-ending the convention between an air show and its famous jazz festival. For the Democrats, the city is trying to repair the bloody images the world remembers from the televised riots of 1968, the last time President Bill Clinton's party staged a Chicago

Thus the authorities have thoughtfully greased the equestrian statue of Civil War general John Logan, standing. across the street from the Hilton hotel. Back in '68, protestors mounted Logan, unfurled anti-war banners and taunted

Peace should reign this time; the 35,000 delegates will barely be noticed. Chicago routinely hosts much larger conventions: September sees the International Manufacturing Technology Show, with perhaps 115,000 free-spending business folks hitting town. That too won't be a riot - it may not even be a ball.

Can't refuse this m Professor Franco Modigliani, the Nobel prize winning

economist, is about to bite off more than he can perhaps chew He's speaking next month at a Palermo conference, extolling

the virtues of an island best known for an informal system of corporate taxation. Convincing international businesses to invest in Sicily rates high in Observer's scale of intellectual challenges. The conference programme makes no reference to Sicily's

musual business culture. But Michele Geraci, a Sicilian forme student of Modigliani who is elping to organise the event admits "little can be done until corruption is tackled". A new recruit to Merrill Lynch's department, Geraci looks on the bright side, pointing to Sicily's growth as a telecommunications hub. But he also concedes that "Sicily's main export is a bad

Same old story

■ Former dissidents never quite leave the political stage, as Jacek Kuron, a stalwart of Poland's 1970s Workers' Defence Committee and Labour minister. in the first post-1989 Solidarity covernment, shows.

Kuron, now 66, dropped from public view after a disappointing result in his bid for Poland's presidency last autumn. But he re-emerged at the weekend at a

the state of the s

conference organised by his party, the Freedom Union. to commemorate the 16th anniversary of Solidarity's birth. Kuron and his colleagues wanted to remind Solidarity

now slipping towards the populist and nationalist right that they too played crucial roles in making it all happen in 1980. The Freedom Union also wants to see some unity against the former communists now running the country. His pleas seem to be falling on stony ground. Piotr Zak, Solidarity's spokesman, says that although the opposition needs to unite to unseat the former communist coalition in parliamentary elections next year, the ballot will probably see at least three competing non-communist

Internal bickering, splits in the opposition - quite like the good old, bad old days

Fuel for thought

■ Been stuck in an August weekend traffic jam? Hear this. Germany's Mercedes-Benz has been offering one-day training courses that teach drivers how to cut fuel consumption by an average 30 per cent. The tricks include simple

things such as turning the engine off at traffic lights, driving in as high a gear as possible and making sure that the tyres are properly pumped up. There are environmental benefits, too; exhaust emissions

are reduced by about 15 per cent in the process, Mercedes says. Thomas Achelis, a German journalist who tried the so-called Eco-Training, said he drove 57km on 1.59 litres, with an average fuel saving of 42 per cent. Mercedes is running 12 courses this year and double that in 1997.

Monkey business

■ There's a new attraction in the ape house at Copenhagen's zoo. Two homo sapiens – one male, one female – have taken up residence. Henrik Lehmann, 35. and Malene Botoft. 29. will live in a furnished plexiglass cage, complete with fax machine and computer, until September

Lehmann and Botoft will, ahem, be on show, doing what comes naturally. Not that voveurs should get their hopes up: "Onlookers will be disappointed if they expect to see the couple having sexual relations . . . Such intimate behaviour is reserved for after hours, with only the monkeys as witnesses," says zoo spokesman Peter Haase.

Just so long as they don't publicly argue over who does the washing up, we'll be more than

employer organisations and the European Trade Union Confederation negotiated an unpaid parental leave agreement. Again, the UK was not directly involved thanks to the opt-out. But the

nent judgment on the legality of the working time directive may widen the scope for more provisions to be agreed under the social chapter - which the UK would eventually have to accept as UK companies comply with their legal responsibilities in mainland European operations.

make labour markets more flexible to combat mass unemployment and ensure the convergence criteria for monetary union are upheld with curbs on government spending and elimination of budget delicits. Outside the UK. the EU's social agenda arouses little passion.

This is the third and last in a series on the social chapter and

Winancial Times

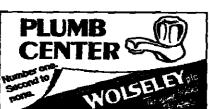
100 years ago French alcohol monopoly

It is reported from Paris. on the authority of the "Matin' that the question of a state monopoly in alcohol is to be raised in the French Legisla ture next session; and the news will strike terror into the heart of the tourist. The British visitor has discovered, with delight, that when he orders whisky he is allowed the free run of the bottle for 50 centimes and it is improbawould be allowed to continue under a state monopoly.

50 years ago Anglo-Iranian Position

By Diarist A correspondent suggests that Anglo-Iranians are a more attractive purchase than Shells. While I think he underrates the recovery potentialities of Shells, there is no denying the superior attractions of Anglo-Iranians purely on yield considerations, present and prospective.

But the geographical position of the properties has, of course, certain disturbing implications which cannot be disregarded so long as Russia's post-war aims give rise to anxious uncertainty. Angle-Iranians are not for the investor who finds difficulty in sleeping soundly; but for those with stronger nerves.



FINANCIAL TIMES

Tuesday August 27 1996

all-out for

backing on

Chechnya

peace deal

Mr Alexander Lebed, the Russian security chief, yester-day launched a vigorous polit-

ical offensive to win Kremlin

support for his peace efforts in

Chechnya.

The political manoeuvring

in Moscow came after what one Russian official described

as "the quietest night in the

last year and a half" in

Grozny, the Chechen capital, as a ceasefire brokered by Mr

Lebed on Friday continued to

The former general, who

managed to avert a planned

By Chrystia Freeland

"Conceive optimistically. plan pessimistically, and execute optimistically." KAZUO INAMORI, feurider in byuk*era*

SKIDER!

\$2.4bn plan for Turkish Lebed goes gas and power project

By John Barham in Ankara

Royal Dutch/Shell, MW Kellogg of the US and Japan's Mitsubishi Corporation have \$2.4bn liquefied natural gas terminal and power station complex in Turkey.

The project will have generenough to contribute significantly to the country's fast-rising energy needs.

if approved, it would be one of Turkey's largest foreign investment projects, and its announcement is a sign of international confidence in Turkey only two months after an Islamist-led coalition gov-

Shell said it had met Mr Recai Kutan, energy minister. and asked for government perproject. Under Turkish law, all

need government approval. Permission is rarely refused for manufacturing or service industries, but leftwingers claim private foreign investannounced plans to build a ment in public services is unconstitutional and have taken court action to block all but a few of them.

> The consortium has not said where it will build the complex or when it will start work. It has sought authorisation to begin feasibility studies. Turkey faces a potential

> increases by about 8 per cent every year to a forecast 97.5bn kWh for 1996. It is the fastestgrowing energy market in

There are plans for 20-30 foreign-financed power stations in Turkey, but few have received government approval. Mr Simon Biakey, director of Cambridge Energy Research foreign investment projects Associates, said: "It is vital strongly opposed to it.

what the rules of the game are. That is what is holding everything up."
The government is consider-

ing measures to avoid power shortages in the medium term as energy demand rises. Ministers would like to re-open eastern European-designed power stations mothballed for environmental reasons, build a \$3bn commercial nuclear generator and import more natural gas from Russia, currently its only supplier. Turkey is to start importing electricity from neighbouring Georgia

and Bulgaria. This month Mr Necmettin Erbakan, prime minister, signed a controversial \$23bn, 23-year deal to build a pipeline to import natural gas from Iran. But most commentators believe the project is unlikely to go ahead as the US is

Russian attack on Grozny last week, was granted a 90minute andience with Mr Victor Chernomyrdin, the prime times prickly relationship with his younger rival.

Mr Lebed capitalised on the

meeting, issuing a press state-ment which announced that the two men had "expressed their mutual satisfaction with the normalisation process and ceasefire in Chechnya."

But for the second time in three days Mr Lebed was snubbed by Russian president Borls Yeltsin.

A meeting publicly requested by Mr Lebed did not take place and Kremlin officials would not say whether the president planned to receive his envoy today.

According to Mr Yeltsin's spokesman, the president who has been in almost total seclusion for more than two months - officially began his mmer holiday yesterday. Mr Lebed's swift progress

towards a settlement of the Chechen conflict appears to have disconcerted many of Russia's more powerful politi-

their desire for a quick end to the war against a reluctance to let Mr Lebed win public The biggest obstacle to a

deal is expected to be the Kremlin's long-stated insispart of the Russian Federa

Chechen separatists say they have worked out an agreement with Mr Lebed according to which the repub-lic's status would be determined by a local referendum a vote most observers believe would be overwhelmingly in favour of independence.

After 20 months of war,

Russian troops in Chechnya appeared to be reluctantly going along with the new peace initiative.

Russian soldiers and Chechen fighters mingled freely in Grozny, where at least 450 Russian troops died in this month's fighting, according to

Vietnamese elite swing a club to beat their handicap

By Jeremy Grant in Hanoi

Top Vietnamese government officials are trying to overcome one of their most severe handicaps - an inability to play golf. They realise that their lack of knowledge of the ins and outs of bunkers, bogies and Club of St Andrews birdies is putting them at a

disadvantage in the diplomatic circles of south-east Asia. Golf is the main leisure activity for leaders of the Association of Southeast Asian Nations. Many of them prefer to solve the region's problems

an office. nam's foreign minister, was recently spotted trying to mas-

to the fairways. foreign ministers' summit in cal following, and martial arts Jakarta, Mr Cam was left on are all the rage.

This week Vietnam's Department of Sports, in a scheme sponsored by Dutch brewer Heineken, will publish a 200page booklet in Vietnamese on the rules of golf. It has been modelled on a manual issued by the Royal & Ancient Golf

The scheme has been mas terminded by Scottish golflover Mr Gordon Simmonds, formerly a corporate finance lawyer with Clifford Chance in London who now runs a sports consultancy in Hanol.

"The ideal situation would on the putting green rather be to have the foreign minister than in the stuffy confines of walking the golf courses of walking the golf courses of Brunei with the booklet in his Mr Nguyen Manh Cam, Viet- pocket," says Mr Simmonds. It would be hard to find a more unlikely place than ter the basics of golf at a new Communist-run Vietnam for Korean-financed driving range golf to take root. Like tennis, it golf to take root. Like tennis, it in Hanot. He is among several has long been regarded as an top Vietnamese officials taking elite pastime.

Badminton and team sports Last month, at the Asean such as football have a fanati-

have a golf course. The coun-raises an eyebrow,

try's first golfer and last emperor, Bao Dai, built a ninebole course at his mountain retreat at Dalat in 1920. After his abdication in 1945, the course was overrun by weeds. Not until the arrival of waves of foreign investors in

the early 1990s was the game spoken of again. There are now six foreignfinanced golf courses, built to attract expairiates - mostly Japanese, Koreans and Singa-poreans - but with the ultimate aim of signing up Viet-

One, just outside Ho Chi Minh City, is landscaped with pillboxes dating from the Vietnam War. Bomb craters from US B-52 aircraft have been turned into bunkers.

Membership costs between \$12,000 and \$35,000 in a country with an average annual per capita income of only \$250. But the expense is no prob-

lem for status-conscious Vietnamese businessmen in booming Ho Chi Minh City, where swung their clubs on the other of the first Asian countries to range Mercedes car barely

Former Korean leaders found guilty

Continued from Page 1

the action had been necessary to "right historical wrongs" and promote full public accountability of officials as part of Korea's move toward

The most serious charge lev-elled against the former presidents was their leading roles in a 1979 coup that ushered in a period of military-backed rule that lasted until 1993, when Mr Kim assumed power

Europe today Scotland will have cloud and rain but the rest of the British Isles will have sunny spells mixed with showers. Scattered showers are ected in the Benefux and northern and central France, especially in the afternoon. There will be rain or showers near a front sweeping east across northern Spain, southern France, the Alps, Poland and Sweden. Some showers in northern Italy and Poland will be thundery. Strong high pressure will bring dry and sunny conditions to Russ Southern Spain, southern Italy.

Greece and southern Turkey will be

Germany will be cool with scattered

showers. More rain will occur in the

Alos, Clearing is expected in France and northern Spain. Eastern Europe

Five-day forecast

thunder showers. The

The British Isles, Benelux and

will continue rather warm with

Mediterranean will have a few

been implicated in a military massacre of at least 200 pro-democracy demonstrators in the city of Kwangju in 1980, but the court concluded there

was no evidence that they

expressly ordered elite para-troopers to fire on protesters. Mr Chun had said that the trial amounted to a case of victor's justice and was motivated

as a civilian president. political power. Mr Kim has The two leaders also had purged the ruling party of conservative allies of Mr Chun and Mr Rob.

The trial has been marked by controversy since parliament last winter enacted special legislation that extended an expired statute of limita-tions for sedition and corruption so that the former presidents could be prosecuted. Their defence lawyers

by revenge and politics as Mr resigned after accusing the Kim sought to consolidate his court of rushing to judgment. FT WEATHER GUIDE



THE LEX COLUMN

Competition calls

The merger between WorldCom and MFS to create a \$19.4bn telecom giant is a lesson in the virtues of being an entrepreneurial start-up in a bureaucratic industry. While oldstyle US telecoms groups have spent years downstring their workforces and fighting rearguard actions to protect market share, WorldCom and MFS have expanded aggressively by concentrating on the fastest-growing and most lucrative segments of the market.

By joining forces, WorldCom and MFS have again stolen a march on the old guard. With the traditional barriers between long-distance and local telecoms falling, everybody is talking about offering customers one-stop shopping for "bundles" of services. The merger of WorldCom, a long-distance company, and MFS, which has local networks in business districts and a big internet operation, actually does the job. Rivals such as AT&T (a long-distance group) and the Baby Bells (local companies) will now be

under pressure to eatch up. Both WorldCom and MFS have in the past been seen as acquisition targets. But the terms of the deal suggest MFS had more suitors. WorldCom is paying a premium of about 50 per cent, with the result that MFS's shareholders end up owning more than half the company. More than anything else, this demonstrates how value is shifting in global telecoms: several years ago, the game was to target the lucrative long-distance market; now, with long-distance margins under pressure, companies realise the need for direct links with customers. That means local networks.

Utility regulation

Could Britain's utilities be about to enter a period of relative calm? This might seem a strange suggestion when hardly a week goes by without a utility regulator slapping harsh price caps on its charge or another row about so-called fat cat executives overpaying themselves. But consider for a moment that what we are now witnessing is

essentially a backlash against earlier excesses. The utilities were privatised with price caps that were too lenient. Many also hoodwinked their regulators when the controls came up for review for the first time by underplaying the scope for productivity improvements. The result was that most utilities enjoyed scaring profits and share prices following privatisation.

It is only in the past two years that the tide has really turned. As price caps have been reviewed again, regulators have tightened the screws. But we are now at the tail-end of this process. Over the past year, new regimes have been proposed or agreed for the water companies, regional electricity com-panies, British Telecommunications, the National Grid and British Gas's pipeline business. The Grid and British Gas could well drag out their current disputes with their regulators by appealing to the Monopolies and Mergers Commission. But once their regimes are agreed, price caps will be largely fixed throughout the utility sector until 2000.

Moreover, investors do not simply have a four-year breather to look forward to. The chances are that, even when the regulatory cycle comes round again, utilities will not face more punitive regulatory action. The backlash will already have achieved its purpose. This is so for several reasons.

First, regulators have become smarter at estimating the scope for efficiency improvements and so probably have not had the wool pulled over their eyes this time. Sec-ond, there is widespread agreement on the main parameters of regulation such as how assets should be valued and what is a reasonable return. Third, utilities have been handing back billions of pounds to shareholders through mega-dividends and share buy-backs; by the time of the next reviews, they should not be sitting on piles of excess capital that could tempt a regulator. Finally, their services are improving and prices are falling, at some point, they will gain credit for

The Labour party has threatened a lower basic salaries.

windfall tax on utilities should it win the next general election. It has also talked about changing the whole basis of regulation, lavestors should hope that if Labour exacts its pound of flesh through a windfall tax, it will forget about revamp. ing the regulatory system. Better a one-off tax than continuing

upheaval and uncertainty.
The prospect of a relatively quiet life could eventually cheer shareholders, who have had a bad couple of years. Utilities' profitability may never recover to the heady days immediately following privatisation. But the 7 per cent real returns on equity that regulators are now targeting will be decent enough if the companies settle into the safe. dull investments that were origi-

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Share options

Investors have a right to be suspicious when managers ask for more share options. But British Biotech. which has won approval from the Association of British Insurers for a more generous option scheme, has a strong case. Over the next five years British Biotech needs to attract experienced executives to launch its drugs. As a loss-making company it cannot offer the salary packages or security of big pharmaceutical groups. The obvious solu-tion is to lure candidates with options. But British Biotech argues that to get top people it needs to be more generous than suggested by the current ABI guidelines – a maximum of four times salary.

Under the proposals, British Biotech can award as many shares as it ikes per year and per individual, as long as it does not issue more than 10 per cent of its capital over 10 years. In return, the ABI has insisted on tougher performance targets: British Biotech must deliver as high a return to shareholders as the top 25 FT-SE 100 companies; and the plan applies only to new recruits.

If relaxing the rules makes sense for British Biotech, why not for other companies? Certainly other biotech and high-tech companies will be able to make similar cases. But it would be a mistake to think that paying executives with larger dollops of equity makes sense only for fast-growing risky enterprises. Providing incentives for managers of mature companies is good too. The quid pro quo, of course, is that There is one big cloud on horizon. executives should in return receive

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